Equatorial Energia S.A.

Financial statements December 31, 2020
(A free translation of the original report in Portuguese, prepared in accordance with the accounting practices adopted in Brazil)

Management report

In compliance with legal provisions and in accordance with current corporate law, the Management of EQUATORIAL ENERGIA S.A. hereby presents its Management Report, its Individual and Consolidated Financial Statements together with the related footnotes, and the independent auditor's report for the years ended December 31, 2020 and 2019. The non-financial information of the Company and its subsidiaries, those related to the "Programa Luz Para Todos" (PLPT, Light for All Program), the Social Balance Sheet, Loss Mitigation, Social Actions Report, as well as Management's expectations regarding the future performance of the Company and its subsidiaries, have not been reviewed by the independent auditors.

01. Company's profile

Overview

Equatorial Energia S.A. is a holding company operating in the electric power industry.

In the distribution segment, Equatorial Energia controls the power distributors in the states of Maranhão, Pará, Piauí and Alagoas.

In the Transmission segment, in October 2016 and April 2017, Equatorial Energia participated in 2 auctions for new projects carried out by ANEEL, whereby it acquired the concessions for 8 batches of transmission lines, totaling R$958 million in RAP (Annual Allowed Revenue) at December 2020 values. Additionally, Equatorial Energia acquired 100% of INTESA, an operational transmission line in the States of Tocantins and Goiás. Of these lots, all SPES are already in operation, except for SPE 3 and SPE 6.

In the generation segment, Equatorial Energia holds a 25% interest in GERAMAR, a company that operates 2 thermoelectric power plants located in Maranhão, with a combined installed capacity of 330MW, in commercial operation since 2010.

In the service segment, Equatorial Energia holds 100% of 55 Soluções, which in turn holds 51% of Sol Energias, an electricity trading company.

02. 2020 Highlights

- In 2020, consolidated recurring EBITDA amounted to R$4,764 billion, a 17% growth from the 2019 figure. The factors considered for purposes of adjusted EBITDA are described in the Comments on the Company's Performance.
- Consolidated and billed total energy volume (in the captive and free markets) increased by 3.8% compared to 2019.
- According to the material news released on December 4, 2020, the Company approved a Share Buyback Program in order to maximize value generation for its shareholders, by purchasing shares to be held in treasury and subsequently sold or cancelled with no capital decrease. This transaction was approved and limited to 50,110,056 shares, which is equivalent to 5.0% of total outstanding shares, for no later than 18 months. By December 31, 2020, 1,370,000 shares had been acquired under the program.
- At Equatorial Alagoas, energy losses in the last 12 months ending in 2020 accounted for 23.6%, or down 6.6 percentage points (pp) from 2019. At Equatorial Piauí, total losses closed the year at 21.5%, down 2.8 pp from the previous year closing. Maranhão and Pará reported 18.5% and 30.8% in annual losses respectively, which represented an increase of 0.5 pp and 0.7 pp year on year.
- At Equatorial Pará, the DEC and FEC quality indicators closed 4Q20 at 20.2 hours and 10.8 times. At Equatorial Maranhão, DEC and FEC indexes ended the period at 13.4 hours and 5.9 times. At Equatorial Piauí, those rates ended 4Q20 at 27.6 hours and 12.8 times, while Equatorial Alagoas ended 4Q20 at 19.3 hours and 9.6 times. All distributors showed an improvement in the aforementioned indicators, both in relation to 3Q20 and 4Q19, with emphasis on FEC, which ended up below the regulatory rate.
- Throughout 2020, SPE02 entered into full operation on January 22, and SPE01 on May 1; on October 15, the remaining 87% of SPE 8 entered into operation; SPE4 entered into operation on May 11; SPE7 on December 15; and SPE5 on December 23

03. Message from the CEO

The year 2020 marked another important step in the growth of the Equatorial Energia Group, especially in the transmission and distribution segments.

In the transmission segment, the company ended the year with 75% of operating RAP, including TLR (Revenue Release Notice), which represents around R$722 million in revenue.

The energy distribution segment had several challenges in 2020 due to the pandemic, but we managed to end the year with a 3.8% growth over energy sold. The new distributors obtained approval for the Extraordinary Tariff Review in Alagoas in May and in Piauí in December, which is an important step in the process of creating value for these assets.

Since Equatorial Transmissão started its projects in 2017, approximately R$5 billion have already been invested on a cumulative basis. The decrease in investments compared to the same period of the previous year shows that we are already in the final stage of implementation of the transmission projects and, in general, significantly ahead of the regulatory deadlines for project execution. As for the distribution segment, investments have sped up in practically all distributors, despite the Covid-19 pandemic, totaling R$1.8 billion, considering the use of own resources and the investment from the Luz Para Todos Program. All this volume of investments aims at expanding and maintaining the networks, improving the quality of supply, providing universal access to the electricity grid and interconnecting isolated systems in Pará.

This high level of investments allowed Equatorial Maranhão and Equatorial Pará to maintain their quality indicators (DEC and FEC) substantially better than their regulatory goals, totaling 13.4 hours and 5.9 times in Maranhão, and 20.2 hours and 10.8 times in Pará. It should be noted that in ANEEL's Service Continuity Ranking, which measures the quality of energy supply in relation to regulatory limits, Equatorial Pará was the 2nd best company in the country in 2020, while Maranhão was ranked 8th among concessionaires with more than 400 thousand customers.

From a financial standpoint, our results continued stable, and liquidity is ensured, ending the year at R$7.7 billion in consolidated cash.

we are very proud to inform that our distributors – Equatorial Maranhão and Equatorial Pará – have secured their position among the 100 best companies to work for in Brazil in the Great Place to Work ranking, showing the appreciation and dedication we have to our people.

We thank all our associates, shareholders, suppliers and partners for their support and trust throughout these years.

Augusto Miranda da Paz Junior

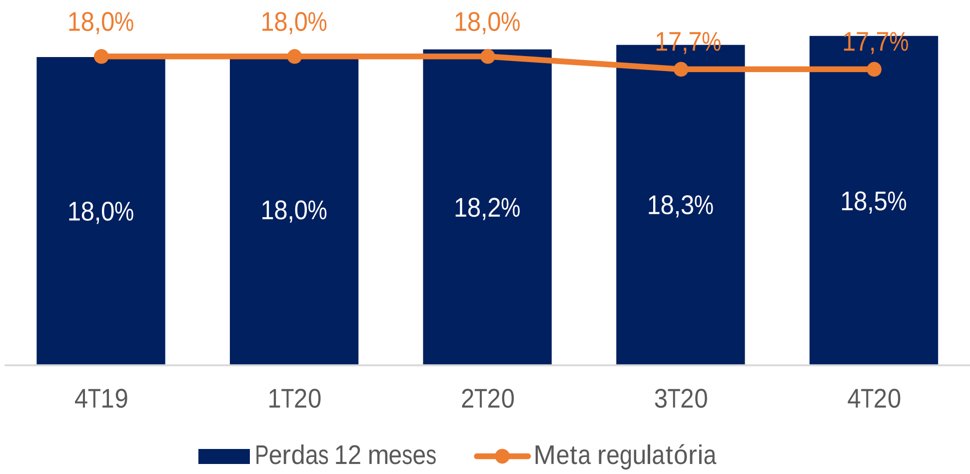
CEO

4.1 Loss mitigation

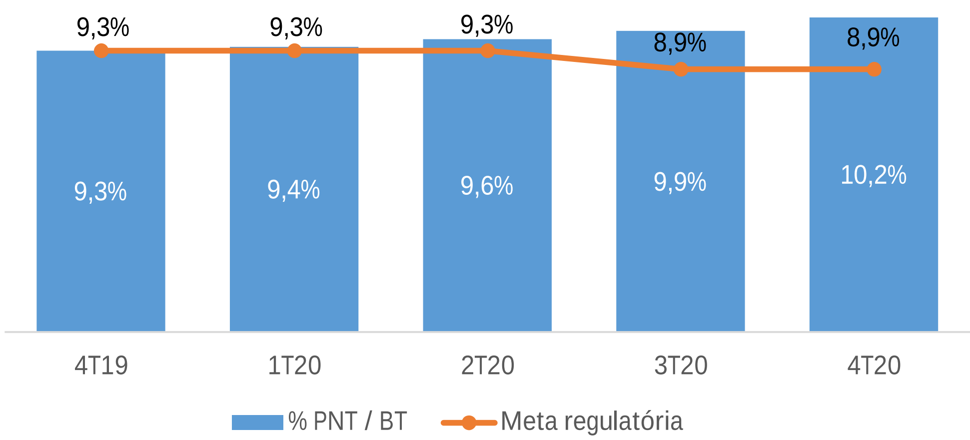
Equatorial Maranhão

In 2020, Equatorial Maranhão system required electric power amounted to 8,166 GWh, up 4.1% from 2019, and revenue totaled 6,653 GWh, a 3.4% increase over 2019. Accordingly, energy losses recorded by the Company in 2020 totaled 1,512 GWh, or 18.5% of required energy, which led to a 0.5 pp increase in the loss rate as compared to the 2019 closing.

Total loss on required energy
(past 12 months)



Non-technical losses on low voltage market
(past 12 months)



The year 2020 was marked by major challenges brought by COVID-19, which impacted the operations to mitigate losses between March and July 2020. The limitation on field activities in this period generated a significant decrease in the number of forecast activities, frustrating the results of the plan on loss mitigation, significantly contributing toward the increase in the related rate.

The significant decrease in consumption by classes posing a lesser risk of fraud, such as commercial and government customers, also in light of the COVID-19 pandemic, and the regulatory review of the estimated time of use of public lighting by ANEEL in August 2020, are other factors that also impacted the company's results.

Please find below the result of the measures adopted in connection with the loss mitigation plan in 2020:

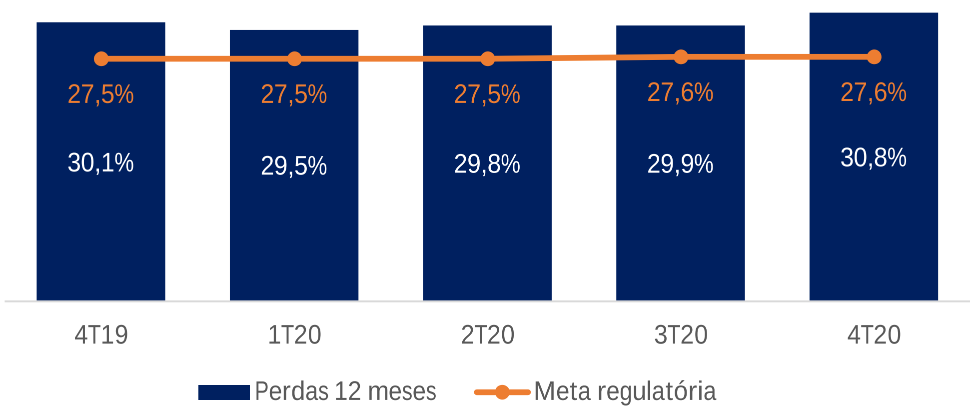
- Regularization of 1.3 thousand customers in irregular connection areas, requiring medium and low voltage network extensions to be installed;
- Inspection of 3.4 thousand customers with medium and high voltage energy supply;
- Installation of the Centralized Measurement System (Sistema de Medição Centralizada, SMC) for 7 thousand low voltage customers. Equatorial Maranhão currently has 11.8 thousand low voltage SMC customers;
- Re-registration of the Public Lighting network in 64 municipalities;
- Inspection of 161.2 thousand customers with low voltage energy supply;
- Regularization of 7.9 thousand clandestine customers in areas where there was a power grid;
- Regularization of 2.3 thousand customers disconnected from the system and auto-reconnected in an irregular fashion;
- Identification and regularization of 35.3 thousand fraudulent measurements in LV consumer units;
- Installation of 787 fiscal measurements in distribution transformers. Equatorial Maranhão currently has 11.5 thousand monitored transformers, which correspond to 51% of its low voltage market.

Equatorial Pará

In 2020, Equatorial Pará system required electric power amounted to 12,787 GWh, up 3.8% from 2019, and revenue totaled 8,850 GWh, a 2.7% increase over 2019. Accordingly, energy losses recorded by the Company in 2020 totaled 3,937 GWh, or 30.8% of required energy, which led to a 0.7 pp increase in the loss rate as compared to the 2019 closing.

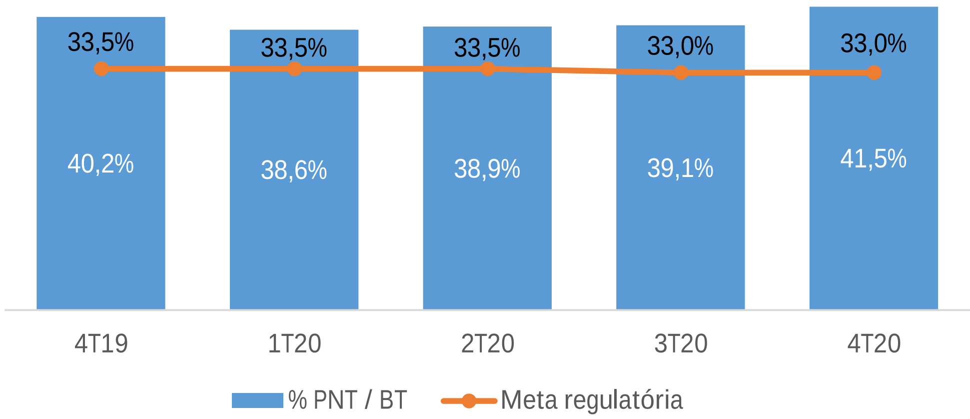
Total loss on required energy

(past 12 months)



Non-technical losses on low voltage market

(past 12 months)



The year 2020 was marked by major challenges brought by COVID-19, which impacted the operations to mitigate losses between March and July 2020. The limitation on field activities in this period generated a significant decrease in the number of forecast activities, frustrating the results of the plan on loss mitigation, significantly contributing toward the increase in the related rate.

The significant decrease in consumption by classes posing a lesser risk of fraud, such as commercial and government customers, also in light of the COVID-19 pandemic, and the regulatory review of the estimated time of use of public lighting by ANEEL in August 2020, are other factors that also impacted the company's results.

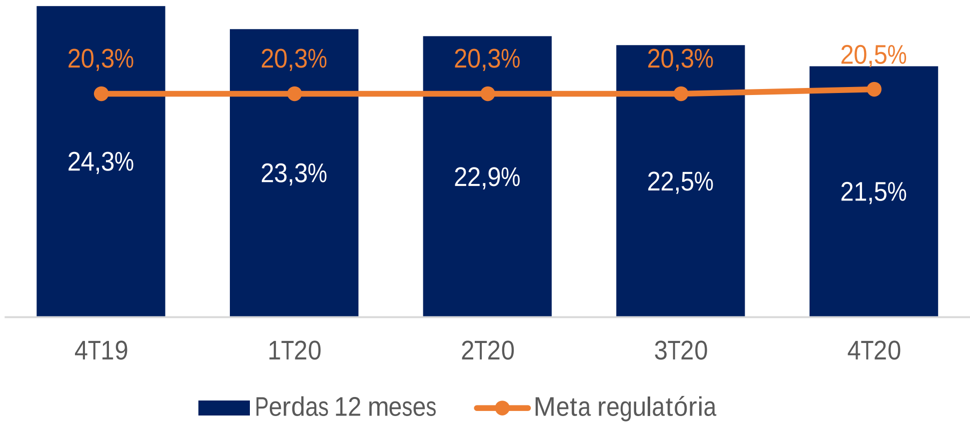
Please find below the result of the measures adopted in connection with the loss mitigation plan in 2020:

- Regularization of 2.7 thousand customers in irregular connection areas, requiring medium and low voltage network extensions to be installed;
- Inspection of 3.0 thousand customers with medium and high voltage energy supply;
- Installation of the Centralized Measurement System (Sistema de Medição Centralizada, SMC) for 51.5 thousand low voltage customers. Equatorial Pará currently has 332 thousand low voltage SMC customers;
- Re-registration of the Public Lighting network in 43 municipalities;
- Inspection of 341.9 thousand customers with low voltage energy supply;
- Regularization of 20.4 thousand clandestine customers in areas where there was a power grid;
- Regularization of 1.3 thousand customers disconnected from the system and auto-reconnected in an irregular fashion;
- Identification and regularization of 72.7 thousand fraudulent measurements in LV consumer units;
- Installation of 3.1 fiscal measurements in distribution transformers. Equatorial Pará currently has 18.8 thousand monitored transformers, which correspond to 49% of its low voltage market.

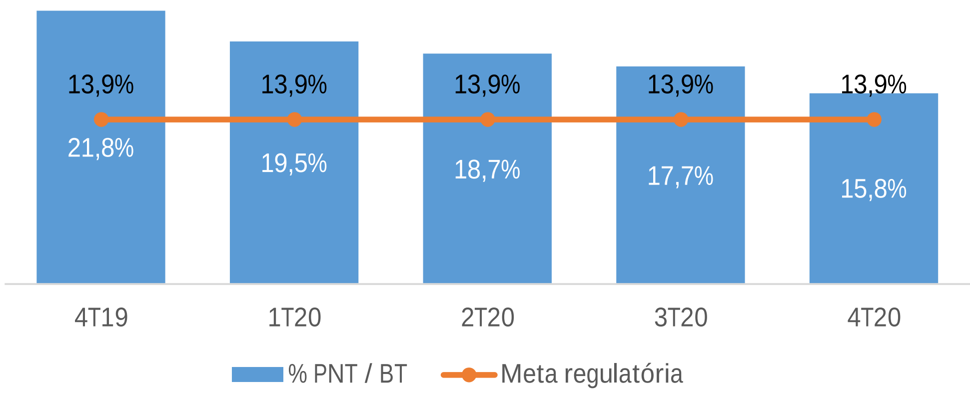
Equatorial Piauí

In 2020, Equatorial Piauí system required electric power amounted to 4,893 GWh, down 2.3% from 2019, and revenue totaled 3,839 GWh, a 1.3% increase over 2019. Accordingly, energy losses recorded by the Company in 2020 totaled 1,054 GWh, or 21.5% of required energy, which led to a 2.8 pp increase in the loss rate as compared to the 2019 closing.

Total loss on required energy
(past 12 months)



Non-technical losses on low voltage market
(past 12 months)



The year 2020 was marked by major challenges brought by COVID-19, which impacted the operations to mitigate losses between March and July 2020. Despite the limitation on field activities in this period, the plan on loss mitigation significantly decreased the related rate.

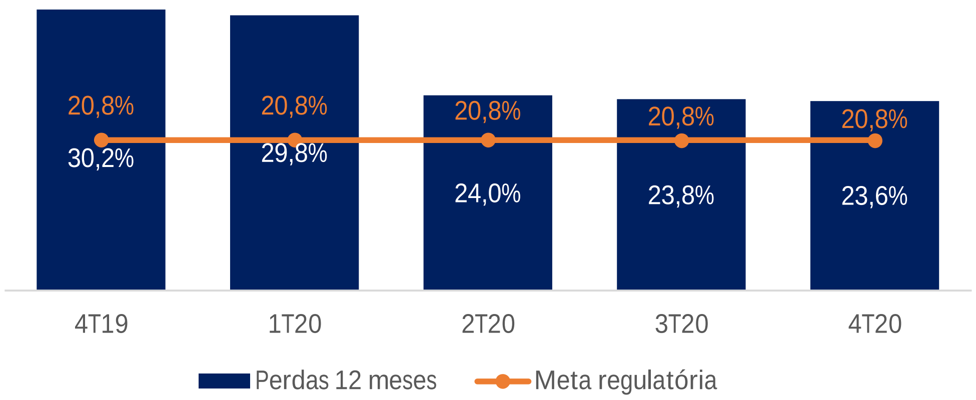
Please find below the result of the measures adopted in connection with the loss mitigation plan in 2020:

- Regularization of 2.1 thousand customers in irregular connection areas, requiring medium and low voltage network extensions to be installed;
- Inspection of 2.3 thousand customers with medium and high voltage energy supply;
- Re-registration of the Public Lighting network in 121 municipalities;
- Inspection of 126.3 thousand customers with low voltage energy supply;
- Regularization of 4.0 thousand clandestine customers in areas where there was a power grid;
- Regularization of 516 customers disconnected from the system and auto-reconnected in an irregular fashion;
- Identification and regularization of 39.7 thousand fraudulent measurements in LV consumer units;
- Installation of 4.1 fiscal measurements in distribution transformers. Equatorial Piauí currently has 5.2 thousand monitored transformers, which correspond to 36% of its low voltage market.

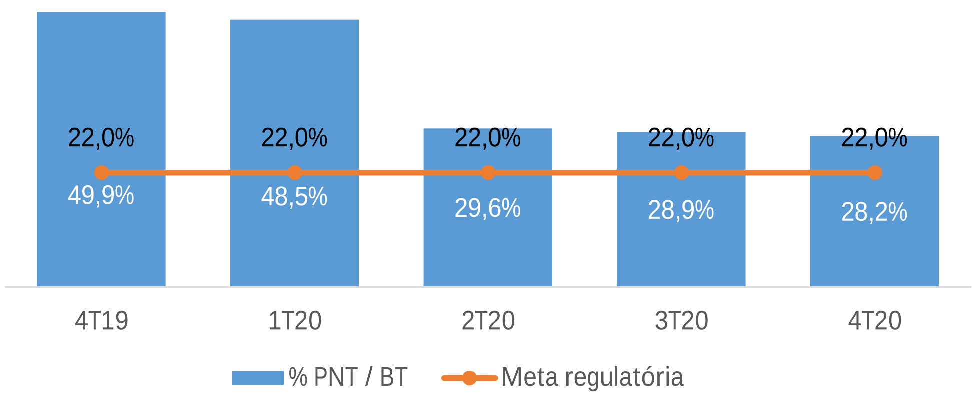
Equatorial Alagoas

In 2020, Equatorial Alagoas system required electric power amounted to 5,045 GWh, up 0.3% from 2019, and revenue totaled 3,855 GWh, a 9.8% increase over 2019. Accordingly, energy losses recorded by the Company in 2020 totaled 1,190 GWh, or 23.6% of required energy, which led to a 6.6 pp decrease in the loss rate as compared to the 2019 closing.

Total loss on required energy
(past 12 months)



Non-technical losses on low voltage market
(past 12 months)



The year 2020 was marked by major challenges brought by COVID-19, which impacted the operations to mitigate losses between March and July 2020. Despite the limitation on field activities in this period, the plan on loss mitigation significantly decreased the related rate.

Please find below the result of the measures adopted in connection with the loss mitigation plan in 2020:

- Regularization of 422 customers in irregular connection areas, requiring medium and low voltage network extensions to be installed;
- Inspection of 3.9 thousand customers with medium and high voltage energy supply;
- Re-registration of the Public Lighting network in 18 municipalities;
- Inspection of 138.9 thousand customers with low voltage energy supply;
- Regularization of 15.4 thousand clandestine customers in areas where there was a power grid;
- Regularization of 68 customers disconnected from the system and auto-reconnected in an irregular fashion;
- Identification and regularization of 45.1 thousand fraudulent measurements in LV consumer units;
- Replacement of 30 thousand measurement gauges of a faulty model;
- Installation of 5.7 fiscal measurements in distribution transformers, which correspond to 42.5% of the low voltage market.

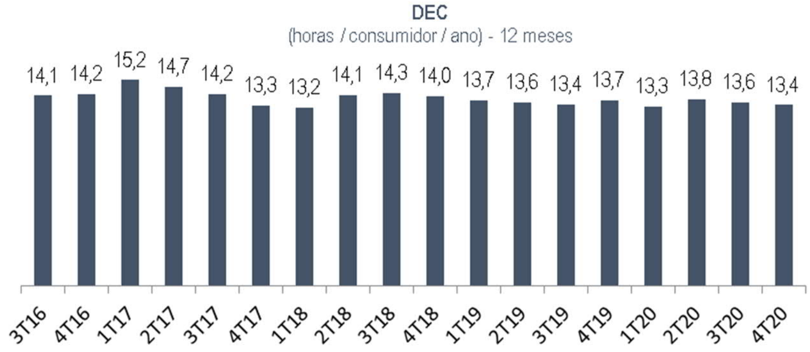
DEC and FEC

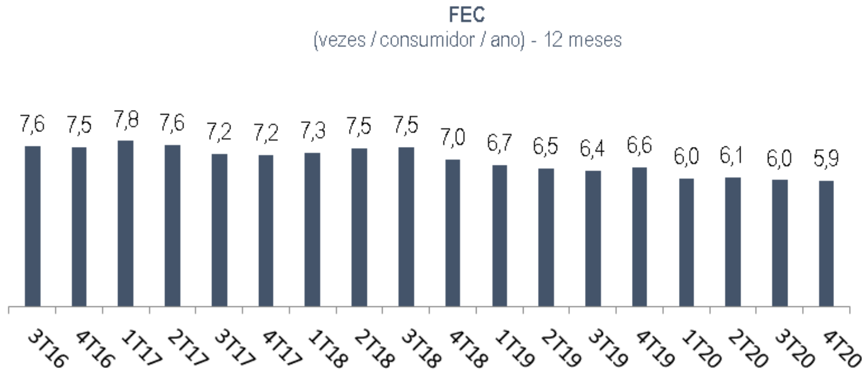
4.2 Quality

Equatorial Maranhão

DEC and FEC

Brazil's National Electric Power Agency (ANEEL) uses some indexes to check the quality of services provided by electric power concessionaires to their customers, especially DEC - Equivalent Length of Outage per Customer (measured in hours per customer per year) and FEC - Equivalent Frequency of Outage per Customer (measured in number of times per customer per year). The DEC quality indicator showed a 2.62% decrease in relation to the previous year, while the FEC quality indicator showed a 9.76% decrease in relation to the previous year. The main difference was the implementation of the new management model, which imposed a new pace of work based on results, establishing goals and challenges, which motivated employees from all areas of the company.

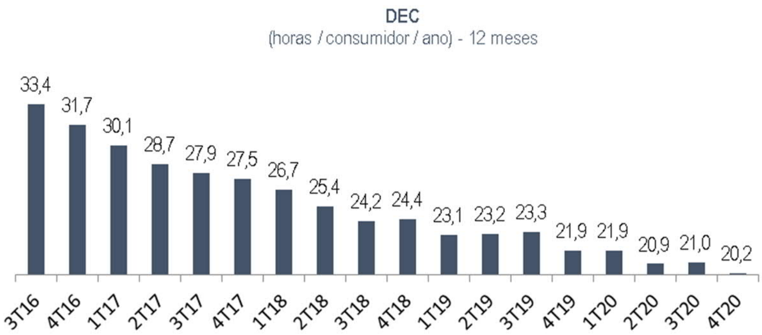


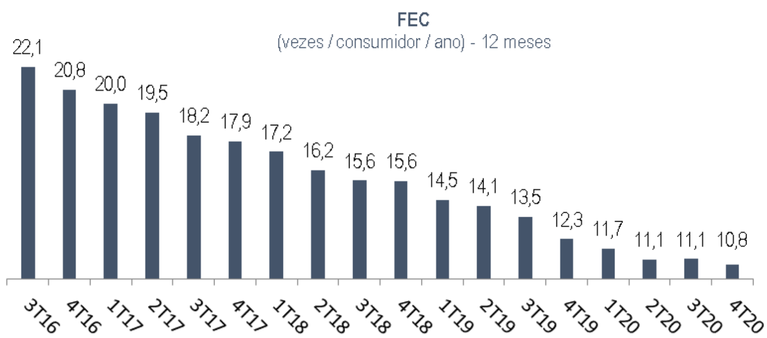


Equatorial Pará

DEC and FEC

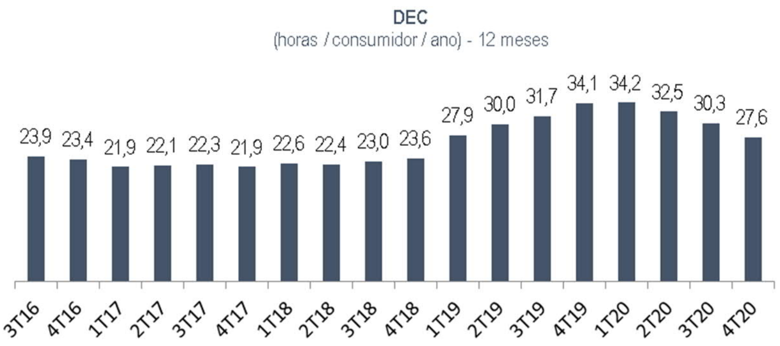
Brazil's National Electric Power Agency (ANEEL) uses some indexes to check the quality of services provided by electric power concessionaires to their customers, especially DEC - Equivalent Length of Outage per Customer (measured in hours per customer per year) and FEC - Equivalent Frequency of Outage per Customer (measured in number of times per customer per year). The DEC quality indicator showed a 7.86% decrease in relation to the previous year, while the FEC quality indicator showed an 11.75% decrease in relation to the previous year. The main difference was the implementation of the new management model, which imposed a new pace of work based on results, establishing goals and challenges, which motivated employees from all areas of the company.

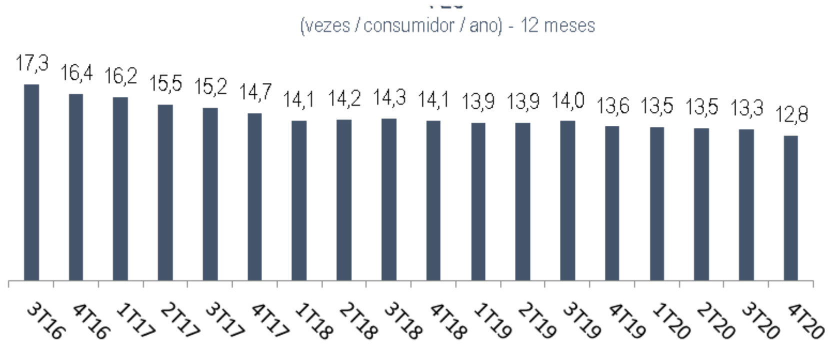




Equatorial Piauí

Brazil's National Electric Power Agency (ANEEL) uses some indexes to check the quality of services provided by electric power concessionaires to their customers, especially DEC - Equivalent Length of Outage per Customer (measured in hours per customer per year) and FEC - Equivalent Frequency of Outage per Customer (measured in number of times per customer per year). The DEC quality indicator showed a 19.24% decrease in relation to the previous year, while the FEC quality indicator showed a 5.75% decrease in relation to the previous year. The main difference was the implementation of the new management model, which imposed a new pace of work based on results, establishing goals and challenges, which motivated employees from all areas of the company.

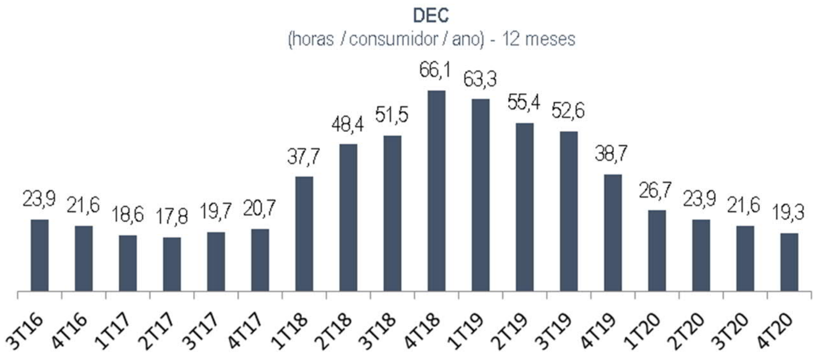


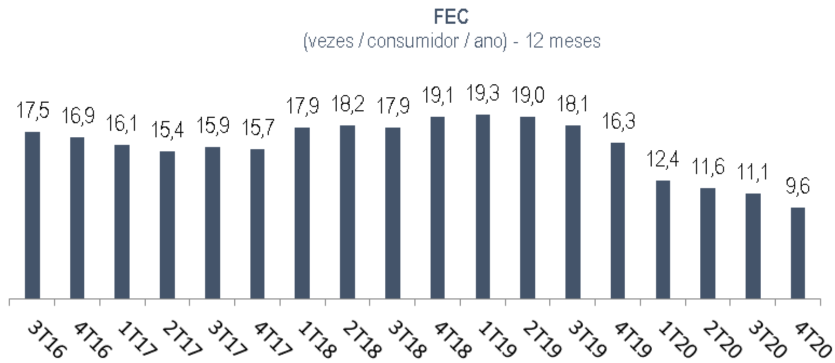


Equatorial Alagoas

DEC and FEC

Brazil's National Electric Power Agency (ANEEL) uses some indexes to check the quality of services provided by electric power concessionaires to their customers, especially DEC - Equivalent Length of Outage per Customer (measured in hours per customer per year) and FEC - Equivalent Frequency of Outage per Customer (measured in number of times per customer per year). The DEC quality indicator showed a 50.22% decrease in relation to the previous year, while the FEC quality indicator showed a 41,52% decrease in relation to the previous year. The main difference was the implementation of the new management model, which imposed a new pace of work based on results, establishing goals and challenges, which motivated employees from all areas of the company.





05. Regulatory matters

2020 Annual Tariff Adjustment - Equatorial Maranhão

Through Ratifying Resolution No. 2785/2020, Brazil's National Electric Power Agency (ANEEL) ratified the result of the 2020 Annual Tariff Adjustment of Equatorial Maranhão Distribuidora de Energia S.A. ("Equatorial Maranhão") for the period August 25, 2020 to August 24, 2021, and the tariffs were adjusted by -0.01% (negative point zero one percent), which corresponds to the average tariff effect to be perceived by customers in the state of Maranhão.

2020 Annual Tariff Adjustment - Equatorial Pará

On August 25, 2020, through Ratifying Resolution No. 2750/2020, Brazil's National Electric Power Agency (ANEEL) ratified the tariffs of Equatorial Pará Distribuidora de Energia S.A. ("Equatorial Pará"), which were adjusted by 2.68% (two point sixty-eight percent) on average, which corresponds to the average tariff effect to be perceived by customers for the period August 7, 2020 to August 6, 2021.

2020 Annual Tariff Adjustment - Equatorial Piauí

In a public special Executive Board meeting held on November 24, 2020, Brazil's National Electric Power Agency (ANEEL) approved the final result of the Extraordinary Tariff Adjustment ("RTE") of Equatorial Piauí Distribuidora de Energia S.A. ("Equatorial Piauí"). Considering the financial components included in the Company's tariffs, the average impact to be perceived by customers in this tariff process will be 3.48%. The new tariff will be applicable by Equatorial Piauí from December 2, 2020 to December 1, 2021.

2020 Annual Tariff Adjustment - Equatorial Alagoas

On April 28, 2020, through Ratifying Resolution No. 2684/2020, Brazil's National Electric Power Agency (ANEEL) ratified the tariffs of Equatorial Alagoas Distribuidora de Energia S.A. ("Equatorial Alagoas"), which were adjusted by 9.85% (nine point eighty-five percent) on average, which corresponds to the average tariff effect to be perceived by customers for the period May 3, 2020 to May 2, 2021.

Due to the current Covid-19 pandemic scenario, and, as requested by the company, ANEEL stalled the application of the review, and the new tariffs became effective as of July 1, 2020.

06. Social actions report

Equatorial Maranhão

The fact that energy is an essential service for people is undeniable; what makes a difference is how this service is offered. In addition to striving for the quality of this product, Equatorial Maranhão Distribuidora de Energia offers information, development and citizenship through its actions and projects conducted with engaged people. From the meter reader to the CEO, we are all committed to the development of our state.

Our employees are committed to identifying what is important to the community/society and they work to deliver more than what is expected. We go beyond delivering electric power with quality. Our actions reflect the strategy for corporate social responsibility of Equatorial Maranhão. Our commitment is to people's quality of life, contributing to a structural change of Maranhão and pursuing our mission, which is to distribute quality energy to ensure the development of Maranhão.

In 2020, we completed:

12 sports projects through the Sports Incentive State Law

5 cultural projects through the Cultural Incentive State Law

55.82% of employees registered with Programa E+ Energia Voluntária (E+ Voluntary Energy Program).

1,762 refrigerators given out under Programa E+ Geladeira Nova (E+ New Refrigerator Program).

96,561 thousand light bulbs replaced under Programa E+ Comunidade (E+ Community Program).

157,000 new families registered for the low income social tariff.

727.40 tons of waste under Programa E+Reciclagem (E+ Recycling Program).

1,486 new customers registered with E+Reciclagem.

This totals some 1 million people covered by Equatorial Maranhão projects

The social programs in which Equatorial Maranhão is engaged include:

SPORTS AND CULTURAL INCENTIVE LAW

Since 2012, Equatorial Maranhão has sponsored projects through the Cultural and Sports Incentive Laws. This started out as a more reactive process, as we were approached by the proponents and an agreement was signed. As of 2014, we introduced our policy on bidding processed and started to receive more projects, which led us to become familiar with a number of projects that were previously not known to us. This number had been gradually increasing. However, because of the pandemic that devastated the world in 2020, we chose not to carry out the bidding process because of the unfavorable atmosphere given the circumstances.

Despite this, we managed to complete 17 projects, 12 of which were sports-related and 5 were cultural projects. The sports projects include the support to the Campeonato Maranhense de Futebol (Maranhão Soccer Cup) and the Ações Esportivas do Jaracaty (Jaracaty Sports Actions project), which offers judo and table tennis classes to more than 120 children and teenagers. We believe that we need to support the sport that is a Brazilian passion, as the teams in our State are still very dependent on public resources to stay competitive, as well as take a closer look at Paralympic sports with the support of Centro Desportivo Maranhense para Cegos, which offers 5-a-side soccer for the blind.

E+ ENERGIA VOLUNTÁRIA (E+ Voluntary Energy Program)

Due to the pandemic, the actions under the volunteer program were suspended.

Equatorial Pará

Due to the new Coronavirus ("COVID-19") pandemic declared by the World Health Organization ("WHO"), which has been affecting Brazil and several countries in the world, bringing risks to public health and impacts on the world economy, the company informs that it has been adopting risk prevention and mitigation measures in line with the guidelines established by national and international health authorities, aiming to minimize any impacts with regard to the health and safety of employees, families, partners and communities.

Despite the difficulties imposed by the pandemic, in 2020 Equatorial Pará continued implementing the various actions in the communities of the State, developing and improving projects, such as Registration of customers in the social tariff (low income), educational lectures in the communities, joint efforts and exhibitions in partnership with several state government institutions, carrying out agreements for installment payments, bill transfers (name changes) etc.

Equatorial has social projects that seek to provide benefits to the community, including:

Fundraising for social organizations.

The energy bill is used as a means of increasing the income of Charitable entities, such as UNICEF, APAES Federation and others with the same purpose. The partnerships with Remo and Paysandu stand out, as we started to foster sports locally. By choosing this contribution, a customer may make a donation through the energy bill. The funds raised are used in actions to improve the living conditions of children and adolescents throughout the state. The amount collected and transferred to partner institutions totals R$14,881,508.04.

E+ Comunidade (E+ Community Program)

In order to be closer to its customers, Equatorial Pará offers projects like this one, which strengthen their relationship and creates conditions to better serve them. The project also allows the company to foster sustainable dialogue with the community, with the main objective of raising awareness about the safe and sustainable use of electricity, in order to encourage more economical and efficient habits for this essential service. Through Energia na Comunidade (Energy in the Community Program), the company's team provides communities with services such as copies of bills, debt negotiation, bill transfers (name changes) and registration in the social electricity tariff, in a closer, tailor-made contact. More than 60,000 actions have been completed throughout Pará, and more than 26,891 thousand customers have been impacted, with lectures on social tariffs, conscious consumption and energy safety, in addition to the change of light bulbs and assistance on various subjects.

Construction and renovation of Social Institutions

In order to recognize and strengthen social projects in our state, Equatorial Pará invested R$2 million in the projects Fabiano de Cristo, APAE - Marabá, Associação Caminhos De Emaús - Conceição Do Araguaia, Museu Emilio Goeldi.

E+ Profissional (E+ Professional Program)

In partnership with Instituto Mix and Embelleze, Equatorial Pará offered these cities courses in Barbering, Eyebrow Design, Electricity, Meter Reading, Bakery and Bricklaying. In 2020, 345 people were trained in 20 groups.

E+ Energia Voluntária (E+ Voluntary Energy Program)

It is increasingly important to become aware of the need for social action at all levels. Based on this mindset, Eqtl PA has one of its best performing teams. This is the company's volunteer program, E+ Energia Voluntária. Through the Program, employees participate in volunteer activities in communities and charitable institutions.

E+ Cultura (E+ Culture Program)

In 2020, Equatorial Pará sought alternatives to continue encouraging and valuing the culture of Pará, through Semear, a State Incentive Law. Throughout the year, the company approved 10 cultural projects, especially Arraial da Pavulagem, Tapajazz, Amazônia Doc.

Energy Efficiency

E+ Reciclagem (E+ Recycling Program)

E+ Reciclagem is a social and environmental project that exchanges recyclable waste for discounts on the energy bill, adequately disposing of waste at recycling centers. Some of the results are:

- 10 collection points implemented, in addition to the mobile station

- Approximately 2,250 tons of waste collected

- More than 18 thousand MWh energy savings

- More than 117 thousand bonuses exchanged

- More than 115 thousand customers registered

E+ Geladeira Nova (E+ New Refrigerator Program)

Program that contributes to customers' energy savings.

Some of the results are:

1,965+ refrigerators

90,337+ Led light bulbs

Equatorial Piauí

Equatorial Piauí stood out for its several Energy Efficiency actions.

Social Electricity Tariff Program: Through the Social Electricity Tariff Program, also known as Low Income, the company offers low-income families discounts on their electricity bills. Families earning up to half the minimum wage per person, registered with the Unified Registry (Cadastro Único), as well as families with members who receive the Continuous Cash Benefit (Benefício de Prestação Continuada, BPC), among other cases defined in the regulation of Brazil's National Electric Power Agency (Aneel), are eligible for the program.

The benefit is valid for exclusively residential consumer units using single-phase, two-phase or three-phase systems. When each Family Code meets the defined requirements, it will be entitled to the Social Tariff benefit in only one consumer unit, in the concession area of Equatorial Alagoas. Discounts are applied on a cumulative basis on each monthly energy consumption, through discounts on the tariff applicable to the residential class of electricity distributors.

In order to encourage its customers to pay their dues, Equatorial Piauí has held campaigns, entered into partnerships and adopted actions to get closer to society. Seeking to become closer to the community, the company implemented on-site service actions to register customers in the social tariff.

CULTURAL INCENTIVE LAW

In 2020, through the Cultural Incentive State Law, Equatorial Piauí invested more than R$6 million to sponsor 71 projects selected by the Cultural Incentive State System (Sistema Estadual de Incentivo à Cultura, SIEC) in various segments: music, theater, dance, humor, cinema, literature, visual arts, gastronomy, research and documentation, historical, artistic and environmental heritage. The choice of proponents to be sponsored was defined based on creating a positive agenda of contribution to artists and entertainment in the context of a pandemic, covering projects from north to south of Piauí.

E+ ENERGIA DO BEM (E+ GOOD ENERGY PROGRAM)

In January 2020, Equatorial Piauí launched the E+ Energia do Bem project, which initially involved nine social institutions. It seeks to strengthen the Distributor's social commitment through the application and execution of energy efficiency actions that improve the quality of services these institutions offer and positively change their energy consumption. The global investment for all institutions was more than R$5 million reais.

The institutions that were selected and will participate in the project are:

Abrigo São Lucas (elderly); APIPA – Associação Piauiense de Amor e Proteção aos Animais; LBV PI – Legião da Boa Vontade; Lar de Maria – Rede Feminina Estadual de Combate ao Câncer do Piauí; Lar da Esperança (care for people living with HIV); MANAIN – Associação Casa de Repouso para Idosos; Hospital Universitário de Teresina HU-UFPI; Maternidade Dona Evangelina Rosa, and, in Campo Maior, APAE – Associação de Pais e Amigos dos Excepcionais.

Equatorial Alagoas

Equatorial Alagoas stood out for its several Energy Efficiency actions.

Social Electricity Tariff Program: Through the Social Electricity Tariff Program, also known as Low Income, the company offers low-income families discounts on their electricity bills. Families earning up to half the minimum wage per person, registered with the Unified Registry (Cadastro Único), as well as families with members who receive the Continuous Cash Benefit (Benefício de Prestação Continuada, BPC), among other cases defined in the regulation of Brazil's National Electric Power Agency (Aneel), are eligible for the program.

The benefit is valid for exclusively residential consumer units using single-phase, two-phase or three-phase systems. When each Family Code meets the defined requirements, it will be entitled to the Social Tariff benefit in only one consumer unit, in the concession area of Equatorial Alagoas. Discounts are applied on a cumulative basis on each monthly energy consumption, through discounts on the tariff applicable to the residential class of electricity distributors.

In order to encourage its customers to pay their dues, Equatorial Alagoas has held campaigns, entered into partnerships and adopted actions to get closer to society. Seeking to become closer to the community, the company implemented on-site service actions to register customers in the social tariff.

Agreement for Donations through Bills: Equatorial Alagoas has agreements with the Pastoral da Criança, Legião da Boa Vontade (LBV) and Associação dos Pais e Amigos dos Excepcionais (APAE) for voluntary donations through the electricity bill. In this way, the company's customers may elect to donate previously defined amounts to institutions, contributing to increase the income of these Charitable entities. In 2018, this was transferred to the partner institutions, contributing to strengthening them.

Energy Efficiency Projects

E+ Geladeira Nova (E+ New Refrigerator Program):

The community is offered the opportunity to replace their old refrigerator with a new one, which uses up less energy. Some of the results are:
Customers served: 5,695 families served directly.
Average savings per customer: 584 kWh/year which is actually equivalent to approximately R$463.47.

Considering that the average consumption of the residential population in Alagoas is 114.705 kWh/month, the energy saved through the Energy Efficiency Projects in 2020 would be enough to provide electricity to the homes of around 5,250 families.

07. Economic and Financial Performance

8.1.1 Net revenue
Net Revenue recorded in the year totaled R$17,890 billion, down 5% from the figure recorded in the previous year.

8.1.2 Operating costs and expenses
In 2020, the total manageable and non-manageable costs and expenses, excluding depreciation and amortization, non-recurring costs and expenses and construction costs, totaled R$10.097 billion, equivalent to a 14.45% increase.

8.1.3 EBITDA
In 2020, EBITDA was R$5.576 billion, up 11% from the figure recorded in the previous year, namely R$5.021 billion.

8.1.4 Finance Income (Costs)
In 2020, the net finance income (costs) (consolidated) was negative by R$424 million, compared to the net expense of R$628 million recorded in 2019.

8.1.5 Net Income
In 2020, the Company's Net Income was R$3.448 billion, up 27% from the previous year.

08. Investments

Investimentos (R$MM)	4T19	4T20	*Var.%*	2019	2020	*Var.%*
Maranhão						
Ativos elétricos	104	160	*52,8%*	299	446	*49,1%*
Obrigações especiais	22	10	*-56,5%*	81	45	*-43,8%*
Ativos não elétricos	8	18	*124,1%*	30	70	*134,6%*
Total	135	188	*38,9%*	409	561	*37,0%*
Pará						
Ativos elétricos	181	118	*-34,9%*	608	422	*-30,5%*
Obrigações especiais	22	87	*285,1%*	116	192	*65,2%*
Ativos não elétricos	11	30	*168,0%*	49	67	*37,6%*
Total	215	235	*9,4%*	772	681	*-11,9%*
Piauí						
Ativos elétricos	48	106	*119,7%*	314	289	*-7,7%*
Obrigações especiais	23	17	*-27,1%*	66	63	*-4,2%*
Ativos não elétricos	43	20	*-53,6%*	138	51	*-63,4%*
Total	114	142	*25,0%*	518	403	*-22,2%*
Alagoas						
Ativos elétricos	63	62	*-0,5%*	143	168	*17,5%*
Obrigações especiais	-	-	*N/A*	-	-	*N/A*
Ativos não elétricos	7	17	*139,5%*	26	30	*15,7%*
Total	70	79	*13,8%*	169	198	*17,2%*
Total Equatorial Distribuição	533	644	*20,8%*	1.869	1.843	*-1,4%*
Geramar						
Geração	0	0	*-35,1%*	3	4	*41,5%*
Equatorial Transmissão						
Projeto	578	261	*-54,8%*	2.888	1.028	*-64,4%*
Intesa	(8)	11	*-242,5%*	41	33	*-18,2%*
Total Equatorial	1.104	917	*-16,9%*	4.800	2.908	*-39,4%*

The Group's investments totaled R$2.9 billion in fiscal year 2020, down 39.4% from fiscal year 2019. This decrease is concentrated in the transmission segment, since most SPEs were in a final construction phase.

DISTRIBUTION

The information on distributors Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas is broken down as follows:

Equatorial Maranhão

9.1.1 Own Investments

The investments of Eqtl Ma, excluding direct PLPT-related investments, totaled R$496 million in 2020, up 51% from 2019. Such investments refer mainly to expanding the distribution network capacity, in view of the continuous growth in the state’s demand for energy.

9.1.2 Investments in the Programa Luz Para Todos (PLPT Program)

At the end of 2020, Eqtl Ma reached the record number of 353,621 thousand customers connected to the electricity distribution network through the PLPT, generating a direct benefit for approximately 1.8 million people. The PLPT already covers 100% of the 217 municipalities in Maranhão, contributing to the development of rural areas isolated from agglomerations and to the generation of income in these locations. In 2020, direct investments in PLPT, which include expenses with third-party materials and services, totaled R$64 million.

Equatorial Pará

9.2.1 Own Investments

The investments of Eqtl Pa, excluding direct PLPT-related investments, totaled R$513 million in 2020, down 17% from 2019 due to impacts on construction works brought by the COVID-19 scenario. The investments focused on Network Expansion and Improvement.

9.1.2 Investments in the Programa Luz Para Todos (PLPT Program)

At the end of 2020, Equatorial Pará reached the record number of 452,351 customers connected to the electricity distribution network through the PLPT, generating a direct benefit for approximately 2.26 million people. The PLPT already covers 99% of the 144 municipalities in Pará, contributing to the development of rural areas isolated from agglomerations and to the generation of income in these locations. In 4Q20, direct investments in PLPT, which include expenses with third-party materials and services, totaled R$72.1 million.

Equatorial Piauí

9.2.1 Investments

In 2020, the investments of EQTL PI, excluding direct PLPT-related investments, totaled R$340 million, referring mainly to the maintenance and expansion of the energy distribution network. The investments in the Programa Luz Para Todos (PLPT Program) totaled R$63 million.

Investments in the Programa Luz Para Todos (PLPT Program) - Piauí

At the end of 2020, Equatorial Piauí reached the record number of 169,523 customers connected to the electricity distribution network through the PLPT, generating a direct benefit for approximately 847.6 million people. The PLPT already covers 100% of the 224 municipalities in Piauí, contributing to the development of rural areas isolated from agglomerations and to the generation of income in these locations. In 4Q20, direct investments in PLPT, which include expenses with third-party materials and services, totaled R$16.9 million.

Equatorial Alagoas

9.2.1 Investments

In 2020, the investments of Equatorial Alagoas Distribuidora, excluding direct PLPT-related investments, totaled R$198 million, up 17.2% over 2019, referring mainly to the maintenance and expansion of the energy distribution network.

TRANSMISSION

PROJECTS

Total investments in the SPEs were R$1.02 billion in 2020, down 64% from the previous year, due to the completion and energization of 6 of the 8 SPEs.
The construction work progressed and ended 2020 with 95% physical delivery and 75% available revenue.

SPE 01 – Lot 08

Investments totaled R$46 million in 2020, an 89% decrease compared to the previous year.
The land negotiation was concluded in December 2019, when we received the Operating License (LO) from IBAMA, valid for six (6) years.
The construction work was completed and energized on May 1, 2020. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

SPE 02 – Lot 09

Investments totaled R$51 million in 2020, an 87% decrease compared to the previous year.
The land negotiation was concluded in December 2019, when we received the Operating License (LO) from IBAMA, valid for six (6) years.
The construction work was completed and energized on January 22, 2020. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

SPE 03 – Lot 12

Investments totaled R$158 million in 2020, a 65% decrease compared to the previous year.
The land negotiation was concluded in September 2020, and we received the Operating License (LO) from IBAMA in December 2020, valid for ten (10) years.
The construction work of SPE 3 began in May 2019, and its physical progress has been currently updated to 99%. It is expected to be energized and operational in April 2021.

SPE 04 – Lot 14

Investments totaled R$277 million in 2020, a 72% decrease compared to the previous year.
The land negotiation was concluded in March 2020, and we received the Operating License (LO) from IBAMA in November 2019, valid for ten (10) years.
The construction work was completed and energized on November 5, 2020. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

SPE 05 – Lot 15

Investments totaled R$145 million in 2020, a 41% decrease compared to the previous year.
The land negotiation was concluded in March 2020, and we received the Operating License (LO) from IBAMA in December 2020, valid for ten (10) years.
The construction work was completed and energized on December 23, 2020. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

SPE 06 – Lot 16

Investments totaled R$275 million in 2020, a 65% increase compared to the previous year.
The land negotiation was concluded in December 2020, and we received the Operating License (LO) from IBAMA in February 2021, valid for ten (10) years.
The construction work of SPE 6 began in June 2019, and its physical progress has been currently updated to 99%. It is expected to be operational in April 2021.

SPE 07 – Lot 23

Investments totaled R$145 million in 2020, a 32% decrease compared to the previous year.
The land negotiation was concluded in October 2020, and we received the Operating License (LO) from the Pará Secretariat of Environment (Secretaria de Meio Ambiente do Pará, SEMAS) in December 2020, valid until March 2025.
The construction work was completed and energized in 2 delivery stages, the first on September 22, 2020, comprising 39% of the project, and the second on December 15, 2020, comprising the remaining 61%. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

SPE 08 – Lot 31

Investments totaled R$110 million in 2020, a 71% decrease compared to the previous year.
The land negotiation was concluded in October 2020, and we received the Operating License (LO) from the Pará Secretariat of Environment (Secretaria de Meio Ambiente do Pará, SEMAS) in January 2021, valid for three (3) years.
The construction work was completed and energized in 4 delivery stages, the first on June 3, 2019, comprising 13% of the revenue relating to SE Rurópolis, a synchronous condenser of reactive power. The second one was on September 24, 2019, comprising 10% of the revenue relating to LT Xingu - Altamira and Se Xingu. The third one was on January 12, 2020, comprising 19% of the revenue relating to LT Altamira - Transamazônica. The fourth (last) delivery stage was on October 15, 2020, comprising the remaining 58% of the revenue relating to LT Transamazônica - Tapajós and SE Tapajós. Since then, we have been receiving the RAP (Annual Allowed Revenue) defined in the concession contract.

INTESA

Intesa's investments totaled R$59 million in 2020, an 18% decrease compared to the previous year.
Investments were made in the "insourcing" process of some activities carried out by Eletronorte, replacement of current transformers, grounding improvements, equipment renewal, acquisition of a munck truck and fleet renewal.

GENERATION

GERAMAR invested R$3,650 million in 2020, basically referring to the maintenance of the plants that had been built in the 2010 fiscal year.

9. Corporate Governance

Listed on the Novo Mercado (New Market), the highest level of Corporate Governance of the São Paulo Stock Exchange (B3), Equatorial Energia S.A. is committed to the best corporate governance practices and transparency in its relationships with investors and shareholders.

Corporate governance differentials:

- 100% tag along ensured to minority shareholders;
- Having at least two independent members on the Board of Directors (total of 8 seats);
- 75% of total capital as free float, well above the minimum 25% required by Novo Mercado standards;
- Obligation to offer to purchase at economic value in the event of delisting or going private;
- Disclosure of transactions with the Company's securities involving controlling shareholders or members of management;
- Adoption of a Code of Ethics and Business Conduct;
- Having a Policy on Disclosure of Material Acts or Facts and Securities Trading by Related Persons;
- Quarterly publication, together with the ITRs, of the Statement of Cash Flows;
- Disclosure of financial statements under international standards (IFRS) or US GAAP;
- Having earnings conference calls at each quarterly disclosure.

Pursuant to the Novo Mercado Signup Agreement entered into with B3, the Company's Bylaws define the use of an Arbitration Chamber to resolve conflicts.

Board of Directors

Carlos Augusto Leone Piani

Eduardo Haiama

Guilherme Mexias Aché

Paulo Jerônimo Bandeira de Mello Pedrosa

Luís Henrique de Moura Gonçalves

Marcos Martins Pinheiro

Tania Sztamfater Chocolat

Supervisory Board

Paulo Roberto Franceschi
Permanent Member of the Board

Saulo de Tarso Alves de Lara
Permanent Member of the Board

Vanderlei Dominguez da Rosa
Permanent Member of the Board

Claudia Luciana Ceccatto de Trotta
Alternate Member of the Board

Ricardo Bertucci
Alternate Member of the Board

Moacir Gibur
Alternate Member of the Board

Executive Board

Augusto Miranda da Paz Júnior
CEO

José Silva Sobral
Officer

Humberto Luis Queiroz Nogueira
Officer

Leonardo da Silva Lucas Tavares de Lima
Officer

Sérvio Túlio dos Santos
Officer

Tinn Freire Amado
Officer

Relationship with independent auditors

In compliance with CVM Instruction No. 381/03, management hereby informs that Ernst & Young Auditores Independentes S.S. provided tax advisory and auditing services in the year ended December 31, 2020.

In compliance with article 25, paragraph 1, items V and VI, of CVM Instruction No. 480/09, the Company's Officers, Messrs. Augusto Miranda da Paz Júnior, CEO; Leonardo da Silva Lucas Tavares de Lima, Chief Finance and Investor Relations Officer; José Silva Sobral, Officer; Sérvio Túlio dos Santos, Officer; Humberto Luis Queiroz Nogueira, Officer; and Tinn Freire Amado, Officer; hereby represent that they have (i) reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2020; and (ii) reviewed, discussed and agreed, without any qualification, with the opinion expressed in the Report issued on March 24, 2021 by Ernst & Young Auditores Independentes S.S., as the Company's independent auditors, with respect to the Company's Financial Statements for the year ended December 31, 2020.

Supervisory Board's Opinion

The Supervisory Board of Equatorial Energia S.A., in compliance with legal and statutory provisions, reviewed the Management Report and the Company's Financial Statements for the year ended December 31, 2020. Based on the reviews performed and considering the unqualified Auditor's Independent Report on Financial Statements issued by Ernst & Young Auditores Independentes S.S. on March 24, 2021, the Supervisory Board believes that the those documents, as well as the proposed allocation of profits for the year and the capital budget are in a position to be considered and voted on by the General Meeting.
Brasília, March 4, 2021.

Paulo Roberto Franceschi

Vanderlei Dominguez da Rosa

Saulo Tarso Alves de Lara

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Independent auditors' report on the individual and consolidated financial statements

To the shareholders of
Equatorial Energia S.A.
São Luis - MA

Introduction

We have audited the individual and consolidated financial statements of Equatorial Energia S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Equatorial Energia S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Concession infrastructure

Investments in the electricity distribution concession infrastructure of Company subsidiaries (Equatorial Maranhão Distribuidora de Energia S.A., Equatorial Pará Distribuidora de Energia S.A., Equatorial Piauí Distribuidora de Energia S.A. and Equatorial Alagoas Distribuidora de Energia S.A.) are recorded as contract assets during construction phase, as established by Accounting Pronouncement CPC 47 - Revenue from Contracts with Customers (IFRS 15) and, upon commencement of operations, are divided into financial assets, relating to the infrastructure portion that will not be subject to amortization until the end of the concession and for which there is an unconditional right to receive cash or other financial assets directly from the granting authority, and intangible assets, corresponding to the infrastructure portion that will be recovered by means of the tariff defined by the granting authority during effectiveness of the concession contract. As at December 31, 2020, the consolidated amounts of contract assets, financial assets and intangible assets relating to the electricity distribution concession infrastructure amounted to R$ 11,073,213 thousand, R$ 5,665,922 thousand and R$ 8,908,853 thousand, respectively.

Infrastructure costs are a significant component of the formula for defining the tariff to be charged by Company subsidiaries under the terms of the concession contracts, whose eligibility rules follow regulatory criteria and involve judgment, and are subject to the granting authority's review and approval every four years. As such, due to the amounts involved, this was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others: (i) assessing the design and implementation of significant internal controls relating to the capitalization process of infrastructure expenditures such as contract assets, operating infrastructure classification into financial assets and intangible assets, and respective measurement; (ii) examining, on a test basis, the documents that evidence the amounts added and written off in the year; (iii) checking the monetary adjustment of the amounts involved; and (iv) analyzing and correlating manual and electronic entries that could overlay the internal controls for the concession infrastructure transaction flow of Company subsidiaries. We also analyzed adequacy of the disclosures on concession infrastructure included in Notes 13, 14 and 15, respectively, relating to financial assets, intangible assets and contract assets in the individual and consolidated financial statements.

Based on the result of the audit procedures performed, which are consistent with management's assessment, we believe that the concession-related contract assets, financial assets and intangible assets, as well as respective disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Information technology general controls

Due to their high volume of transactions, the Company's subsidiaries (Equatorial Maranhão Distribuidora de Energia S.A. and Equatorial Pará Distribuidora de Energia S.A.) use a complex IT control structure, which involves manual and automated controls as well as controls that depend on integrated management systems. As such, the efficient design and operation of these controls are of the utmost importance for the accounting records and, consequently, for the individual and consolidated financial statements to be free of material misstatements. This complex structure, which involves utility services relating to electric power distribution and activities associated with the supply of electricity in the states of Maranhão and Pará, presents different levels of maturation and the risks relating to IT processes that are significant for the transactions processed in the various systems may result in incorrect critical information, including information used for preparing the individual and consolidated financial statements. This was considered a key audit matter due to the importance of internal controls for Company subsidiaries.

How our audit addressed this matter

Our audit procedures included, among others, involving IT specialists to assist us in analyzing the controls relating to IT system's environments, as well as system-dependent, manual and automated controls that affect the entire business structure of Company subsidiaries. The deficiencies in the design and operation of IT general controls relating to logical access and change management modified our assessment on the nature, timing and extent of our substantive procedures planned in order to obtain sufficient appropriate audit evidence. Upon identification of inconsistencies relating to the IT general controls tested, our additional procedures included: (i) tests for compensating controls; and (ii) a substantive assessment on completeness of the reports produced by the related systems and used in our audit procedures.

Based on the results of aforementioned procedures, we believe that the IT internal controls in the context of completeness of the accounting records that support the preparation of the individual and consolidated financial statements, and the information extracted from the Company's subsidiaries' systems for planning and performing our tests that support our conclusions on the individual and consolidated financial statements taken as a whole are acceptable.

Recognition of unbilled revenue from power distribution

The revenues of Company subsidiaries (Equatorial Maranhão Distribuidora de Energia S.A., Equatorial Pará Distribuidora de Energia S.A., Equatorial Piauí Distribuidora de Energia S.A. and Equatorial Alagoas Distribuidora de Energia S.A.) derive mainly from electric power supply and are recognized when this power is consumed by the consumer, on an accrual basis, irrespective of billing, since these revenues are billed based on reading cycles which, in certain cases, are subsequent to the accounting closing period. Accounts receivable from unbilled supply services amount to R$ 440,274 thousand at December 31, 2020 and is presented in Note 8 to the individual and consolidated financial statements.

Unbilled revenue calculation was considered a key audit matter due to the significance of the amounts involved and specificities inherent in the estimation process, which takes into consideration historical data, system parameterization, in addition to judgments by management on the estimated consumption by consumers, in order to ensure that revenue is recorded on an accrual basis.

How our audit addressed this matter

Our audit procedures included, among others: (i) assessing the design and operating efficiency of the internal controls implemented by Company subsidiaries for calculating unbilled revenue; (ii) obtaining an understanding and documentation on the estimation process, identifying and reviewing the assumptions used by management; (iii) involving our specialists in systems' audit to assist us in the tests of completeness, data accuracy and reports extracted from the billing system and that are used for calculating estimated unbilled revenue; and (iv) recalculating these revenues.

Based on the audit procedures performed on unbilled revenues, which are consistent with management's assessment, we believe that the policies for measuring and recognizing unbilled revenues adopted by management, as well as respective disclosure in Note 8, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Measurement of transmission-related contract assets

As mentioned in Note 4.8.2, Company subsidiaries (Equatorial Transmissão S.A. and Integração Transmissora de Energia S.A. - INTESA) assess that, even after the transmission infrastructure construction phase is concluded, a contract asset still exists as matching entry for construction revenue, since it is necessary to fulfill the obligation to operate and maintain, so that Company subsidiaries will have an unconditional right to receive cash. As at December 31, 2020, the consolidated balance of contract assets is of R$ 11,073,213 thousand.

Recognizing contract assets and revenue from contracts with customers in accordance with CPC 47 - Revenue from Contracts with Customers (IFRS15 - Revenue from Contracts with Customers) requires the use of significant judgment on the timing in which the customer obtains control over the asset. Additionally, measuring progress of Company subsidiaries in complying with performance obligations satisfied over time also requires the use of estimates and significant judgments by management in order to estimate the efforts or inputs necessary for fulfilling performance obligations such as materials and workforce, profit margin expected in each obligation performance identified and projections of expected revenues.

And, since these refer to long-term contracts, identifying the discount rate, which represents the financial component embedded in the flow of future receipts, also requires the use of judgment by management. Due to the significance of the amounts and significant judgment involved, we considered measurement of concession-related contract assets and revenue from contracts with customers a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others: (i) obtaining an understanding of the Company subsidiaries' process relating to concession-related contract asset calculations; (ii) assessing the internal procedures relating to expenses with contract execution; (iii) analyzing margin calculation in projects under construction, relating to new concession contracts, and to reinforcement and improvement projects of already-existing power transmission facilities, checking the methodology and assumptions adopted by Company subsidiaries, to estimate total construction cost, and present value of future receipt flows, discounted at the implicit interest rate that represents the financial component embedded in the flow of receipts; (iv) with the support of professionals specialized in assessment of construction projects: (a) analyzing compliance with the physical timeline of construction in progress, and checking whether or not there are unusual items in the construction's updated physical timeline, including any project changes, or changes of suppliers that may generate costs not captured by Company subsidiaries' internal controls; (b) analyzing the variations between initial budget and the updated budget of the works under way, and the justifications presented by construction management for these differences; and (c) if applicable, checking indications of sufficiency of the costs to be incurred for concluding the ventures' construction phases; (v) reading the concession contracts and respective amendments to identify the performance obligations established by contract, as well as aspects relating to variable components applicable to contract price; (vi) reviewing projected cash flows, significant assumptions used in cost projections and in defining the implicit discount rate used in the model with the assistance of professionals specialized in company appraisal; (vii) analyzing any risk of penalties due to construction delay or unavailability; (viii) analyzing whether there are any onerous contracts; (ix) analyzing the communications with regulatory agencies relating to electricity transmission activity and marketable securities; and (x) assessing the disclosures made by Company subsidiaries in the individual and consolidated financial statements.

Based on the audit procedures performed on measurement of Company subsidiaries' concession assets, which are consistent with management's assessment, we believe that the criteria and assumptions for calculating revenue from construction and from contract assets adopted by management, as well as respective disclosure in Note 15, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Audit of corresponding figures

The individual and consolidated financial statements of Equatorial Energia S.A. for the year ended December 31, 2019 were audited by another independent auditor who issued, on May 22, 2020, an unmodified opinion thereon.

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under Company management responsibility and presented as supplementary information for IFRS purposes, were subject to audit procedures performed in conjunction with audit of the Company's financial statements. In order to form our opinion, we analyzed whether these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content meet the criteria defined in Accounting Pronouncement NBC TG 09 - Statements of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in referred to Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

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

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identified and assessed the risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Fortaleza, March 24, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Carlos Santos Mota Filho
Accountant CRC-PE020728/O-7-T-CE

Equatorial Energia S.A. and Consolidated

Statement of financial position as of December 31, 2020 and 2019

(In thousands of Reais)

	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Asset					
Current					
Cash and cash equivalents	6	165.569	536.313	2.219.546	1.785.203
Market securities	7	642.999	871.556	5.397.283	4.043.717
Trade accounts receivable	8	-	-	3.589.317	3.503.757
Accounts receivable - rate tiers		-	-	-	1.291
Fuel purchased - CCC account		-	-	29.855	36.376
Services in progress		-	-	518.041	365.462
A "Component" revenue returnable and other financial items	9	-	-	-	231.463
Judicial deposits	25	56	-	3.567	3.052
Derivative financial instruments	33.4	-	-	100.600	17.554
Inventories		-	-	47.264	31.895
Dividends receivable	11	175.277	98.381	7.463	5.175
Recoverable taxes and contributions	10	34	862	1.240.973	256.066
Recoverable income tax and social contribution		6.264	1.428	195.413	143.132
Other receivables		6.071	4.574	587.078	295.192
Contractual assets	15	-	-	708.900	699.692
Total current assets		996.270	1.513.114	14.645.300	11.419.027
Noncurrent					
Market securities	7	-	18.129	119.576	126.756
Trade accounts receivable	8	-	-	967.527	882.598
A "Component" revenue returnable and other financial items	9	-	-	1.185.784	865.227
Judicial deposits	25	172	124	250.284	299.175
Services in progress		-	-	32.774	6.591
Derivative financial instruments	33.4	-	-	295.161	43.001
Recoverable taxes and contributions	10	-	12	984.483	1.633.437
Recoverable income tax and social contribution		32.512	35.017	89.012	90.340
CCC subrogation - amounts allocated		-	-	85.120	85.120
Retirement and pension plan		-	-	23.206	22.065
Other receivables		9.673	9.569	328.019	389.340
Concession's	13	-	-	5.665.922	4.945.545
Investment	12	10.623.050	8.664.022	130.024	122.217
Property, plant and equipment		2.782	2.782	19.258	14.557
Intangible assets	14	1.437	1.437	8.908.853	9.007.974
Right-of-use		874	992	29.404	32.573
Contractual assets	15	-	-	10.364.313	7.544.552
Total noncurrent assets		10.670.500	8.732.084	29.478.720	26.111.068
Total assets		11.666.770	10.245.198	44.124.020	37.530.095

	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Liabilities					
Current					
Trade payables	16	33.007	2.081	2.263.294	1.969.016
Payroll charges and obligations		304	722	63.962	60.940
Loans and borrowings	17	-	507.358	2.229.290	1.742.280
Debentures	18	3.161	11.622	883.076	144.283
A "Component" revenue returnable and other financial items	9	-	-	753.702	10.077
Taxes and contributions payable	19	2.763	2.761	596.074	564.352
Income taxes and social contribution payable		61	41	169.208	100.793
Dividends	21	547.597	322.581	601.510	341.119
Public lighting fee		-	-	83.867	79.326
Energy efficiency research and development		-	-	286.397	272.806
Profit sharing	22	18.848	17.466	127.076	132.664
Payable under the judicial reorganization plan - Equatorial Pará	23	-	-	30.274	22.275
Lease liability		138	150	11.137	10.569
Provision for civil, tax, labor and regulatory claims	25	-	-	215.811	254.775
PIS/COFINS to be reimbursed to consumers	26	-	-	-	75.999
Other accounts payable		1	15	395.260	373.148
Total current liabilities		605.880	864.797	8.709.938	6.154.422
Noncurrent					
Trade payables	16	-	-	6.695	7.094
Loans and borrowings	17	-	-	10.558.285	9.362.674
Debentures	18	562.926	1.252.232	4.117.327	5.559.184
Retirement and pension plan		-	-	150.598	139.562
Taxes and contributions payable	19	-	-	234.365	235.339
Deferred income and social contribution taxes	20	50	50	1.915.750	1.307.386
Deferred PIS and COFINS	20.5	-	-	984.845	860.503
Provision for civil, tax, labor and regulatory claims	25	-	-	991.184	1.037.472
A "Component" revenue returnable and other financial items	9	-	-	170.307	132.374
Energy efficiency research and development		-	-	220.345	186.483
Payable under the judicial reorganization plan - Equatorial Pará	23	-	-	930.606	849.624
PIS/COFINS to be reimbursed to consumers	26	-	-	2.321.392	1.263.422
CCC Sector charges - Equatorial Pará	24	-	-	266.358	254.672
Lease liability		655	792	17.716	19.344
Other accounts payable		34.869	16.450	249.822	387.168
Total non-current liabilities		598.500	1.269.524	23.135.595	21.602.301
Equity					
Share capital	27.1	3.489.736	2.741.931	3.489.736	2.741.931
Treasury shares	27.5	(31.734)	-	(31.734)	-
Capital reserves	27.2	118.307	529.934	118.307	529.934
Revenue reserves	27.3	7.138.924	4.993.923	7.138.924	4.993.923
Asset and liability valuation adjustments	27.4	(252.843)	(154.911)	(252.843)	(154.911)
Shareholders' equity attributable to Company shareholders		10.462.390	8.110.877	10.462.390	8.110.877
Non-Controlling Interest (NCI)		-	-	1.816.097	1.662.495
Total equity		10.462.390	8.110.877	12.278.487	9.773.372
Total liabilities and equity		11.666.770	10.245.198	44.124.020	37.530.095

See accompanying notes.

Equatorial Energia S.A. and Consolidated

Statement of profit and loss

Years ended December 31, 2020 and 2019

(In thousands of Reais)

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Revenue from infrastructure implementation, monetary adjustment of concession		-	-	**16.668.938**	18.229.778
Yield from concession assets		-	-	**1.221.131**	566.568
Net operating revenue	28	-	-	**17.890.069**	18.796.346
Electricity purchased for resale and transmission costs	30	-	-	**(7.292.271)**	(6.974.026)
Construction cost		-	-	**(3.109.221)**	(5.033.268)
Operating cost		-	-	**(1.501.822)**	(1.059.901)
Costs of electricity, construction and operation	29	-	-	**(11.903.314)**	(13.067.195)
Gross profit		-	-	**5.986.755**	5.729.151
Operating expenses					
Sales expenses	29	-	-	**(94.163)**	(272.838)
General and administrative expenses	29	**(136.403)**	(33.893)	**(940.908)**	(557.666)
Impairment	29	-	-	**(268.177)**	(97.573)
Equity pickup		**3.147.579**	2.713.195	**33.740**	(83.294)
Loss on decommissioning of assets and rights	12	-	-	-	(259.165)
Other net operating income (expenses)		**411**	(100.235)	**65.180**	(150.896)
Total operating revenue (expense)		**3.011.587**	2.579.067	**(1.204.328)**	(1.421.432)
Income before net financial items, income tax and social contributions		**3.011.587**	2.579.067	**4.782.427**	4.307.719
Financial revenue	31	**23.033**	33.333	**1.126.722**	1.761.378
Finance expenses	31	**(59.531)**	(196.770)	**(1.550.847)**	(2.389.038)
Financial income, net	31	**(36.498)**	(163.437)	**(424.125)**	(627.660)
Net income before income and social contribution taxes		**2.975.089**	2.415.630	**4.358.302**	3.680.059
Current income and social contribution taxes	20	-	-	**(305.802)**	(200.787)
Deferred income and social contribution taxes	20	-	-	**(604.847)**	(763.640)
Income taxes		-	-	**(910.649)**	(964.427)
Net income for the period		**2.975.089**	2.415.630	**3.447.653**	2.715.632
Income attributable to:					
Shareholders of parent entity		**2.975.089**	2.415.630	**2.975.089**	2.415.630
Non-controlling interests		-	-	**472.564**	300.002
Net income for the period		**2.975.089**	2.415.630	**3.447.653**	2.715.632
Basic earnings per share - R$	27.6	**2,94814**	2,3905		
Diluted earnings per share - R$	27.6	**2,94814**	2,3905		
Number of common shares at period-end (in thousands of shares)		**1.010.511**	1.010.511		

See accompanying notes.

Equatorial Energia S.A. and Consolidated

Statement of comprehensive income

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income for the period	**2.975.089**	2.415.630	**3.447.653**	2.715.632
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss				
Loss on cash flow hedge	**(3.168)**	(5.904)	**(3.290)**	(6.381)
Effects of post-employment benefit plans	**(43.457)**	(98.296)	**(45.601)**	(101.880)
Other comprehensive income of the period, net of tax	**(46.625)**	(104.200)	**(48.891)**	(108.261)
Total comprehensive income	**2.928.464**	2.311.430	**3.398.762**	2.607.371
Shareholders of parent entity	**2.928.464**	2.311.430	**2.928.464**	2.311.430
Non-controlling interests	**-**	-	**470.298**	295.941
Total comprehensive income	**2.928.464**	2.311.430	**3.398.762**	2.607.371

See accompanying notes.

Equatorial Energia S.A. and Consolidated

Statement of changes in equity

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Share capital	Treasury shares	Capital reserves	Revenue reserves: Legal	Revenue reserves: Investment and expansion reserve	Revenue reserves: Unrealized profit reserve	Revenue reserves: Additional dividends reserve	Adjustments to equity valuation	Retained earnings	Shareholders' equity of parent company	Non-controlling interests	Consolidated equity
Balances as of December 31, 2018	2.375.354	-	60.780	45.896	2.944.000	219.429	889	(50.316)	-	5.596.032	956.839	6.552.871
Net income for the period	-	-	-	-	-	-	-	-	2.415.630	2.415.630	300.002	2.715.632
Comprehensive income												
Actuarial gains (losses)	-	-	-	-	-	-	-	(98.296)	-	(98.296)	(3.584)	(101.880)
Loss on cash flow hedge	-	-	-	-	-	-	-	(5.904)	-	(5.904)	(477)	(6.381)
Total comprehensive income in the year, net of tax	-	-	-	-	-	-	-	(104.200)	2.415.630	2.311.430	295.941	2.607.371
Contributions, distributions and recognition of reserves												
Capital increase	366.577	-	-	(45.896)	(262.613)	-	-	-	-	58.068	4.951	63.019
Awarded options recognized	-	-	1.976	-	-	-	-	-	-	1.976	-	1.976
Buyback options	-	-	(6.230)	-	-	-	-	-	-	(6.230)	(235)	(6.465)
Stock options exercised	-	-	-	-	-	-	-	(395)	-	(395)	(281)	(676)
Legal reserve	-	-	-	120.781	-	-	-	-	(120.781)	-	-	-
Unrealized profit reserve	-	-	-	-	-	1.004.755	-	-	(1.004.755)	-	-	-
Investment and expansion reserve	-	-	-	-	966.835	-	-	-	(966.835)	-	-	-
Additional dividends for 2018	-	-	-	-	-	-	(889)	-	-	(889)	-	(889)
Dividends	-	-	-	-	-	-	-	-	(322.523)	(322.523)	(265.379)	(587.902)
Additional dividends	-	-	-	-	-	-	736	-	(736)	-	-	-
Changes in ownership interests												
Acquisitions of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	1.000.000	1.000.000
Acquisition of NCI without a change in control	-	-	473.408	-	-	-	-	-	-	473.408	(329.341)	144.067
Balances as of December 31, 2019	2.741.931	-	529.934	120.781	3.648.222	1.224.184	736	(154.911)	-	8.110.877	1.662.495	9.773.372
Net income for the period	-	-	-	-	-	-	-	-	**2.975.089**	**2.975.089**	**472.564**	**3.447.653**
Comprehensive income												
Actuarial gains (losses)	-	-	-	-	-	-	-	**(43.457)**	-	**(43.457)**	**(2.144)**	**(45.601)**
Loss on cash flow hedge	-	-	-	-	-	-	-	**(3.168)**	-	**(3.168)**	**(122)**	**(3.290)**
Total comprehensive income in the year, net of tax	-	-	-	-	-	-	-	**(46.625)**	**2.975.089**	**2.928.464**	**470.298**	**3.398.762**
Contributions, distributions and recognition of reserves												
Capital increase (Note 27.1)	**747.805**	-	**(464.994)**	**(120.781)**	**(161.000)**	-	-	-	-	**1.030**	-	**1.030**
Awarded options recognized - Vesting period (Note 27.8)	-	-	**53.088**	-	-	-	-	-	-	**53.088**	-	**53.088**
Buyback options	-	-	**279**	-	-	-	-	-	-	**279**	**235**	**514**
Loss on disproportional receipt of dividends - shareholders' transactions	-	-	-	-	-	-	-	**(51.307)**	-	**(51.307)**	-	**(51.307)**
Treasury shares (Note 27.5)	-	**(31.734)**	-	-	-	-	-	-	-	**(31.734)**	-	**(31.734)**
Noncontrolling interests in equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	**(4.679)**	**(4.679)**
Legal reserve (Note 27.3)	-	-	-	**148.754**	-	-	-	-	**(148.754)**	-	-	-
Unrealized profit reserve (Note 27.3)	-	-	-	-	-	**159.013**	-	-	**(159.013)**	-	-	-
Investment and expansion reserve (Note 27.3)	-	-	-	-	**2.118.624**	-	-	-	**(2.118.624)**	-	-	-
Additional dividends 2019 (Note 21)	-	-	-	-	-	-	**(736)**	-	-	**(736)**	**(70.790)**	**(71.526)**
Mandatory minimum dividends (Note 21)	-	-	-	-	-	-	-	-	**(547.571)**	**(547.571)**	**(89.849)**	**(637.420)**
Additional dividends (Note 21)	-	-	-	-	-	**(158.405)**	**159.532**	-	**(1.127)**	-	**(151.613)**	**(151.613)**
Balances as of December 31, 2020	**3.489.736**	**(31.734)**	**118.307**	**148.754**	**5.605.846**	**1.224.792**	**159.532**	**(252.843)**	-	**10.462.390**	**1.816.097**	**12.278.487**

As notas explicativas são parte integrante das informações contábeis individuais e consolidadas.

Equatorial Energia S.A. and Consolidated

Statement of cash flows - Indirect method

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash flows from operating activities				
Net income for the year	2.975.089	2.415.630	3.447.653	2.715.632
Adjustments for:				
Amortization and depreciation	118	156	713.154	636.796
Amortization of concession rights	98.530	-	114.184	-
Share of profit (loss) of equity-accounted investees	(3.147.579)	(2.713.195)	(33.740)	82.384
Write-off of intangible and financial assets	-	-	79.487	17.045
Contractual asset write-off	-	-	19.161	96.590
Indexation of contractual and financial assets	-	-	(1.405.722)	(825.309)
Construction margin	-	-	(1.363.793)	(1.910.873)
Debt charges, net interest and monetary and exchange variance	50.975	143.064	1.500.086	1.183.453
Losses on derivative financial instruments	-	-	(352.155)	(56.606)
Income from future realization adjustments of electric power contracts	-	-	(129.802)	-
Step Acquisition loss	-	96.851	-	-
Adjustment to present value	-	(484)	73.847	50.553
Allowance for doubtful accounts	-	-	493.706	(97.573)
Reversal of notes written off from accounts receivable	-	-	(158.842)	-
Financial adjustment of allowance for doubtful accounts	-	-	3.604	-
Restatement and provision for energy efficiency research and development	-	-	122.723	123.516
Provision for civil, tax, labor and regulatory claims	-	-	6.175	509.541
Reversal for impairment of intangible assets	-	-	(162.791)	-
A "Component" (receivable) returnable and other financial items	-	-	64.331	223.212
Earnings on investments	(24.133)	(32.242)	(155.768)	(188.425)
Deferred PIS/COFINS - Transmission firms	-	-	199.763	535.407
Deferred income and social contribution taxes	-	-	604.847	763.640
Current income and social contribution taxes	-	-	305.802	200.787
Fair value of purchase options - *Vesting period*	5.548	1.976	65.556	1.302
PIS/COFINS to be reimbursed to consumers	-	-	(3.115)	(30.722)
Provision for profit sharing	6.619	-	94.224	-
Retirement and pension plan	-	-	(957)	-
Other	-	3.329	1.397	44.519
	(34.833)	(84.915)	4.143.015	4.074.869
Changes in current and noncurrent assets and liabilities		-		
Trade accounts receivable	-	-	(329.845)	287.681
Accounts receivable - rate tiers	-	-	1.291	22.500
Fuel purchased - CCC account	-	-	18.207	39.640
Services in progress	-	-	(179.435)	(208.915)
Judicial deposits	(104)	1.813	48.376	(56.753)
Inventories	-	-	(15.369)	1.704
Recoverable taxes and contributions	840	(218)	261.308	(30.718)
Recoverable income tax and social contribution	(2.331)	(1.242)	(50.953)	10.467
CCC sub-rogation	-	-	-	(74.332)
Acquisitions of contractual assets	-	-	-	(3.154.671)
"A Component" revenue receivable (returnable) and other financial items	-	-	628.133	-
Other receivables	(1.600)	1.697	(229.259)	26.503
Trade payables	30.926	1.088	250.879	(58.011)
Payroll charges and obligations	(420)	9	(129.125)	(42.629)
Taxes and contributions payable	22	(255)	214.485	(185.609)
Taxes and contributions payable on net income	-	(810)	(57.151)	(138.260)
Consumer charges	-	-	-	(69.631)
Public lighting fee	-	-	4.541	(20.040)
Energy efficiency research and development	-	-	(75.401)	(63.938)
Profit sharing	(5.237)	1.642	(99.812)	34.729
Related-party transactions	-	(102)	-	-
Retirement and pension plan	-	-	(34.749)	(60.720)
Provision for civil, tax, labor and regulatory claims	-	-	(91.427)	(273.472)
Other accounts payable	(14)	(10.942)	(161.848)	246.050
PIS/COFINS to be reimbursed to consumers	-	-	22.762	-
Dividends received	1.111.330	-	22.912	-
	1.098.579	(92.235)	4.161.535	306.444
Income and social contribution taxes paid	-	-	(74.652)	(74.652)
Interest paid	(60.579)	(148.453)	(606.143)	(882.947)
	(60.579)	(148.453)	(680.795)	(957.599)
Cash flows (used in) produced by operating activities	1.038.000	(240.688)	3.480.740	(651.155)
Cash flows from investing activities				
Acquisitions of intangible assets and property, plant and equipment	-	(219)	(6.629)	(433.369)
Special obligations additions	-	-	416.834	103.189
Acquisitions of contractual assets	-	-	(1.657.699)	(1.553.189)
Net cash acquired on the acquisition of investments	-	(45)	-	72.128
Market securities	-	(18.129)	-	(126.756)
Acquisition of investment	-	1.000.000	-	-
Capital increase in investees	(129.898)	(826.031)	-	-
Market securities	270.819	(839.314)	(1.190.618)	(3.853.918)
Redemptions/ short-term investments	-	1.196.057	-	21.960
Cash flow (used in) provided by investment activities	140.921	512.319	(2.438.112)	(5.769.955)
Cash flows from financing activities				
Amortization of loans and borrowings	(1.195.500)	(820.000)	(1.779.089)	(3.245.314)
Loans and borrowing obtained	-	500.000	2.705.251	5.178.251
Amortization of debentures	-	-	(786.398)	(608.328)
Debenture issue	-	-	-	1.595.000
Amortization of lease liability	(170)	-	(19.043)	-
Amounts paid under the judicial reorganization plan	-	-	(46.826)	(31.935)
Capital increase	1.030	58.068	1.030	58.068
Capital increase in investees by non-controlling interest holders	-	-	-	1.004.951
Dividends paid	(323.291)	(191.532)	(651.476)	(488.370)
Treasury shares	(31.734)	-	(31.734)	-
Cash flows from (used in) financing activities	(1.549.665)	(453.464)	(608.285)	3.462.323
Decrease in cash and cash equivalents	(370.744)	(181.833)	434.343	(2.958.787)
Cash and cash equivalents on January 1, 2020	536.313	718.146	1.785.203	4.743.990
Cash and cash equivalents on December 31, 2020	165.569	536.313	2.219.546	1.785.203
Decrease in cash and cash equivalents	(370.744)	(181.833)	434.343	(2.958.787)

See accompanying notes.

Equatorial Energia S.A. and Consolidated

Statement of value added

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenue				
Sales of products, services and construction revenue	**-**	-	**23.430.184**	25.014.545
Provision for allowance for doubtful accounts	**-**	-	**(268.177)**	(97.573)
Provision (reversal) for civil, labor, tax and regulatory litigation	**-**	-	**-**	133.728
Other revenue	**-**	-	**11.090**	-
Other operating expenses/revenue	**-**	(83)	**-**	(48.724)
Other non-recurrent expenses / revenue	**-**	(100.152)	**-**	(361.337)
	-	(100.235)	**23.173.097**	24.640.639
Consumables acquired from third parties (including ICMS and IPI)				
Costs of goods sold and services rendered	**-**	-	**(10.401.492)**	(12.007.294)
Materials, energy, third-party services and others	**(14.638)**	(16.551)	**(1.019.945)**	(826.770)
Reversal of impairment of assets	**-**	**-**	**162.791**	
CCC subsidy	**-**	-	**(123.759)**	(114.555)
Other expenses	**387**	-	**(138.378)**	-
	(14.251)	(16.551)	**(11.520.783)**	(12.948.619)
Gross added value used	**(14.251)**	(116.786)	**11.652.314**	11.692.020
Depreciation and amortization	**(119)**	(156)	**(713.154)**	(630.384)
Net added value (used in) produced by the Company	**(14.370)**	(116.942)	**10.939.160**	11.061.636
Transferred added value				
Finance income	**24.133**	34.902	**1.164.063**	1.803.416
Share of profit (loss) of equity-accounted investees	**3.147.579**	2.713.195	**33.740**	(83.294)
Amortization of concession rights	**(98.530)**	-	**(114.184)**	-
	3.073.182	2.748.097	**1.083.619**	1.720.122
Total value added to distribute	**3.058.812**	2.631.155	**12.022.779**	12.781.758
Distribution of value added				
Employees				
Direct compensation	**18.097**	13.701	**347.549**	463.674
Benefits	**814**	473	**125.557**	137.583
FGTS	**86**	122	**45.406**	93.761
Other	**-**	2.620	**75**	(193.807)
	18.997	16.916	**518.587**	501.211
Taxes				
Federal	**4.944**	1.569	**3.218.893**	3.823.615
State	**-**	-	**3.261.977**	3.321.216
Municipal	**-**	-	**12.375**	11.269
	4.944	1.569	**6.493.245**	7.156.100
Return on debt capital				
Interest	**51.510**	145.186	**1.310.469**	1.026.321
Rent	**251**	270	**12.447**	19.777
Other financial expenses	**8.021**	51.584	**240.378**	1.362.717
	59.782	197.040	**1.563.294**	2.408.815
Return on equity capital				
Dividends	**548.698**	322.523	**791.432**	-
Retained earnings in the year	**2.426.391**	2.093.107	**2.183.657**	2.415.630
Noncontrolling interests in earnings for the year	**-**	-	**472.564**	300.002
	2.975.089	2.415.630	**3.447.653**	2.715.632
Value added	**3.058.812**	2.631.155	**12.022.779**	12.781.758

See accompanying notes.

(In thousands of Reais)

1 Operations

Equatorial Energia S.A. (“Company” or “Equatorial” or “Parent Company” or in conjunction with its Subsidiaries, “Group”), headquartered in São Luís, Maranhão, Brazil, is a publicly traded holding corporation with interests primarily in electric power generation, distribution and transmission operations. The Company is listed on B3 under the ticker “EQTL3” and has been listed on Novo Mercado since 2008.

1.1 Subsidiaries and joint ventures

Equatorial has the following interests:

Direct interest	**Note**	**2020**	**2019**
55 Soluções S.A.	(a)	100.00%	100.00%
Geradora de Energia do Maranhão S.A.	(b)	25.00%	25.00%
Vila Velha Termoelétricas Ltda.	(c)	50.00%	50.00%
Equatorial Transmissão S.A.	(d)	100.00%	100.00%
Integração Transmissora de Energia S.A. – INTESA	(e)	100.00%	100.00%
Equatorial Piauí Distribuidora de Energia S.A.	(f)	94.47%	94.47%
Equatorial Alagoas Distribuidora de Energia S.A.	(g)	96.37%	96.37%
Equatorial Energia Distribuição S.A.	(h)	90.15%	90.15%

Indirect interest	**Note**	**2020**	**2019**
Equatorial Transmissora 1 SPE S.A.	(i)	100.00%	100.00%
Equatorial Transmissora 2 SPE S.A.	(j)	100.00%	100.00%
Equatorial Transmissora 3 SPE S.A.	(k)	100.00%	100.00%
Equatorial Transmissora 4 SPE S.A.	(l)	100.00%	100.00%
Equatorial Transmissora 5 SPE S.A.	(m)	100.00%	100.00%
Equatorial Transmissora 6 SPE S.A.	(n)	100.00%	100.00%
Equatorial Transmissora 7 SPE S.A.	(o)	100.00%	100.00%
Equatorial Transmissora 8 SPE S.A.	(p)	100.00%	100.00%
Solenergias Comercializadora de Energia S.A	(q)	51.00%	51.00%
Helios Energia Comercializadora e Serviços Ltda.	(r)	99.99%	99.99%
Equatorial Telecomunicações S.A.	(s)	100.00%	100.00%
Equatorial Maranhão Distribuidora de Energia S.A.	(t)	58.69%	58.69%
Equatorial Pará Distribuidora de Energia S.A.	(u)	86.99%	86.99%

(a) 55 Soluções S.A. (“55 Soluções”): A privately held company held corporation headquartered in São Luís, Maranhão, Brazil, and primarily engaged in: a) services in the electric power, telecommunications and data transmission businesses; b) electricity bill collection services for third parties; and c) third-party facilities operation, maintenance and planning services under Equatorial's control;

(b) Geradora de Energia do Maranhão S.A. (“GERAMAR”):Company responsible for the development and operation of the Tocantinópolis and Nova Olinda thermal power stations in the municipality of Miranda do Norte, Maranhão, Brazil, with a combined installed capacity of 330 MW to be delivered to the National Interconnected System. On October 1, 2008, Equatorial acquired a 25% interest in the share capital of Geradora de Energia do Norte S.A.: The consortium that controls Geradora de Energia do Norte S.A. consists of Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%) and GNP S.A. (50%). GNP S.A., in turn, is controlled by Servtec Investimentos e Participações Ltda. (50%) and Company Ligna de Investimentos (50%). The control of Geradora de Energia do Norte S.A. is shared and governed by a Shareholders' Agreement;

(c) Vila Velha Termoelétricas Ltda. (“Vila Velha”): Company responsible for the development and operation of thermal power stations in the state of Espírito Santo. Equatorial Energia S.A. has a 50% interest in the company. Control of Vila Velha Termoelétricas Ltda. is shared and governed by a Shareholders' Agreement;

(d) Equatorial Transmissão S.A (“Equatorial Transmissão”): A privately held company, having its registered office in Brasília, Distrito Federal. Equatorial Transmissão's core activities are the: a) transmit and sell energy and provide related services; b) study, plan, design, implement, operate and maintain energy transmission systems; c) provide consultancy and engineering services within their operating remit; d) participate in technical, scientific and entrepreneurial associations and organizations; and e) acquire interests in other Brazilian or foreign companies as partner or shareholder. Equatorial Transmissão is the holding company for the Group’s transmission companies, and owns SPEs 01 to 08;

(e) Integração Transmissora de Energia S.A. (INTESA): having its registered office in Distrito Federal is a privately held corporation. Its registered business interests include the construction, development, operation and maintenance of electric utility facilities within the interconnected grid and specifically the Colinas/Serra da Mesa 2 500kV Transmission Line in the states of Tocantins and Goiás, which serves 25 municipalities between Colinas do Tocantins (TO) and Colinas do Sul (GO). The public power transmission concession contract (no. 002/2006) between the National Electricity Regulatory Agency - ANEEL and INTESA on April 27, 2006, has a term extending to April 2036 and is extendable for a further maximum term of 30 years;

(f) Equatorial Piauí Distribuidora de Energia S.A. (“Equatorial Piauí”): A privately held company primarily engaged in electric power distribution in its legal concession area which embraces the entire State of Piauí, serving more than 1.328.480 (*) customers in 224 (*) municipalities and covering an area in excess of 251.577 km^2 (*) as of December 31, 2020. On July 26, 2018, Equatorial Energia SA was the winner in the bidding process in the auction mode ("Auction"), carried out in the form of bidding nº. 2/2018-PPI / PND ("Notice"), for the concession of public distribution service associated with the transfer of Equatorial Piauí's share control. On October 17, 2018, the purchase and sale agreement and other covenants were signed, in which Centrais Elétricas Brasileiras SA - ELETROBRAS sold shares accounting for 89.94% of Equatorial Piauí's total share capital to Equatorial Energia S.A. Under item 5.1. (i) of this notice, Equatorial Energia S.A. made a capital increase at Equatorial Piauí of R$ 720,916 on October 17, 2018. On January 02, 2019, Equatorial Energia S.A bought back 2,580,200 shares for R$ 294.88 (in reais). By way of the capital increases of Equatorial Energia S.A., the Board of Directors Meeting of Equatorial Piauí held March 13, 2019 acquired 604,881,182 shares, consisting of 577,684,454 registered common shares with no par value, and 27,196,728 registered preferred shares with no par value, which resulted in the interest in this distribution company’s share capital rising from 89.94% to 94.47%. Distribution concession contract no. 01/2018 entered into by ANEEL and Equatorial Piauí on October 18, 2018 is valid until October 17, 2048. The minutes from the Board of Directors' meeting held March 29, 2019 approved the change to the company’s name from “Companhia Energética do Piauí – CEPISA”, to “Equatorial Piauí Distribuidora de Energia S.A”;

(g) Equatorial Alagoas Distribuidora de Energia S.A (“Equatorial Alagoas”): A privately held company primarily engaged in electric power distribution in its legal concession area which embraces the entire State of Alagoas, serving more than 1.160.728 (*) customers in 102 (*) municipalities and covering an area in excess of 27.848 km^2 (*) as of December 31, 2020. On December 28, 2018, Equatorial Energia SA was the winner in the bidding process in the auction mode ("Auction"), carried out in the form of bidding nº. 2/2018-PPI / PND ("Notice"), for the concession of public distribution service associated with the transfer of Equatorial Alagoas' share control. On February 27, 2019, the purchase and sale agreement and other covenants were signed, in which Centrais Elétricas Brasileiras SA - ELETROBRAS sold shares accounting for 89.94% of Equatorial Alagoas' total share capital to Equatorial Energia S.A. By way of the Board of Directors’ meeting of Equatorial Alagoas held March 18, 2019, Equatorial Energia S.A. acquired 1,436,238,120 shares, consisting of 1,412,317,458 registered common shares with no par value, and 23,920,662 registered preferred shares with no par value, which resulted in the interest in this distribution company’s share capital rising from 89.94% to 96.37%. Distribution concession contract no. 02/2019 entered into by ANEEL and Equatorial Alagoas on March 19, 2019 is valid until March 18, 2049. The minutes from the Board of Directors' meeting held May 02, 2019 approved the change to the company’s name from “Companhia Energética de Alagoas – CEAL”, to “Equatorial Alagoas Distribuidora de Energia S.A”;

(h) Equatorial Energia Distribuição S.A (“Equatorial Distribuição”), headquartered in São Luís, state of Maranhão, is a privately held company with the core activity of holding interests primarily in electric power distribution utilities. On November 05, 2019, the interests of 65.11% in Equatorial Maranhão and 96.50% in Equatorial Pará were transferred from Equatorial Energia to Equatorial Distribuição. In this process the Company has an interest of 90.15% and Itaú S.A. 9.85%.

(i) Equatorial Transmissora 1 SPE S.A (“SPE 01”): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 01's core activity is to: a) explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 251-km, 500 kV Rio das Águas - Barreiras II C2 Transmission Line, and was incorporated on November 17, 2016; On February 10, 2017, the federal government and SPE 01 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. On May 1, 2020, 100% of the transmission projects that make up SPE 01 went into commercial operation, and for the period of July 2020 to June 2021 counts with a total RAP (Annual Permitted Compensation) of R$ 88,119. Their operation start-up represents an anticipation of approximately 21 months in relation to the regulatory term (February/2022);

(j) Equatorial Transmissora 2 SPE S.A (“SPE 02”): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 02's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the (a) 213-km, 500 kV Barreiras II, Buritirama C1 Transmission Line, and (b) 500kV Buritirama Substation (new substation for line connections and compensation of reactive power), incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 02 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. On February 9, 2020, 100% of the transmission projects that make up SPE 02 went into commercial operation, and for the period of July 2020 to June 2021 counts with a total RAP (Annual Permitted Compensation) of R$ 79,917. Their operation start-up represents an anticipation of approximately 24 months in relation to the regulatory term (February/2022);

(k) Equatorial Transmissora 3 SPE S.A (“SPE 03”): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 03's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 380-km, 500 kV Buritirama - Queimada Nova II, C2, Transmission Line, and was incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 03 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 03 is expected to invest R$ 543,000 and to begin operations by February 9, 2022;

(l) Equatorial Transmissora 4 SPE S.A (“SPE 04”): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 04's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 257-km, 500 kV Igaporã III - Janaúba 3 C2 Transmission Line, incorporated on November 17, 2016. (b) 337-km, 500 kV Janaúba 3 - Presidente Juscelino C1 Transmission Line; and (c) 500 kV Janaúba 3 (new 500 kV yard - part 1) substation, founded on November 17, 2016. On February 10, 2017, the federal government and SPE 04 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. On October 31, 2020, 50.6% of the transmission ventures entered into commercial operation, with total RAP of 106,295, according to the Credit Notification (AVC) of December 2020. The indirect subsidiary’s venture is 100% ready; however, 49.40% of its facilities may not enter into commercial operation due to implementation phase of a substation to which SPE 04 will be connected, owned by a different transmission company. As such, SPE 04 requested that the Brazilian Electric System Operator (ONS) issue a Revenue Release Notice (TLR) for us to obtain 100% of RAP amounting to R$ 210.027. In accordance with the commitment made, SPE 04 is expected to invest R$ 1,020,000 and to begin a 100% of operations by February 9, 2022;

(m) Equatorial Transmissora 5 SPE S.A (“SPE 05”): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 05's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 257-km, 500 kV Igaporã III - Janaúba 3 C2 Transmission Line, incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 05 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. On December 23, 2020, 7.84% of the transmission ventures that compose SPE 05 entered into commercial operation. However, since this occurred after the first half of the month, RAP will be included in the Credit Notification (AVC) of the following month. Pursuant to the concession contract, projected RAP is of R$ 96,961 . These ventures' start of operations represents an advancement of approximately 14 months in relation to the regulatory term (February/2022);

(n) Equatorial Transmissora 6 SPE S.A. ("SPE 06"): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 06's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 330-km, 500 kV Janaúba 3 - Presidente Juscelino C2 Transmission Line, incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 06 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 06 is expected to invest R$ 499,000 and to begin operations by February 9, 2022;

(o) Equatorial Transmissora 7 SPE S.A. ("SPE 07"): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 07's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 56.1-km, 500 kV Vila do Conde - Marituba Transmission Line (b) 68.6-km, 230 kV Marituba - Castanhal - Transmission Line; (c) 500/230 kV Marituba - (3+1R)x300 MVA substation; and (d) 230/69 kV Marituba 2x200 MVA substation, founded on November 17, 2016. On February 10, 2017, the federal government and SPE 07 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. On September 29, 2020, 100% of the transmission ventures that compose SPE 07 entered into commercial operation and, for the period from July 2020 to June 2021, count on total RAP of R$ 101,650. These ventures' start of operations represents an advancement of approximately 13 months in relation to the regulatory term (February/2022);

(p) Equatorial Transmissora 8 SPE S.A ("SPE 08"): A privately held company, having its registered office in São Luís, Maranhão State. SPE 08's core activity is to: operate a power transmission concession including the construction, erection, operation and maintenance of transmission systems in the state of Pará under Invitation for Auction No. 05/2016, comprising (a) the Xingu—Altamira 230 kV ~61 km Transmission Line; (b) the Altamira–Transamazônica 230 kV ~188 km Transmission Line; (c) the Transamazônica–Tapajós 230 kV ~187 km Transmission Line; (d) the 230/138-13.8 kV (2 x 150 MVA) Tapajós Substation; (e) the Tapajós Substation–Synchronous Compensator (-75/+150 MVAR); and (f) the Rurópolis Substation–Synchronous Compensator (-55/+110 MVAR), established on June 14, 2017. On February 10, 2017, the federal government and SPE 08 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. The Rurópolis - Synchronous Compensator (-55/+110 MVAR) substation came into operation on June 3, 2019. On September 15, 2020, 100% of the transmission ventures that compose SPE 08 entered into commercial operation and, for the period from July 2020 to June 2021, count on total RAP of R$ 144,774. These ventures' start of operations represents an advancement of approximately 22 months in relation to the regulatory term (July/2022);

(q) Solenergias Comercializadora de Energia S.A. ("Solenergias"): A privately held company having its registered offices in Rio de Janeiro (RJ), engaged in the trading of electric power, management of power supply contracts, organization of electric power auctions and trading in power generation equipment. It owns subsidiary 55 Soluções S.A.

(r) Hélios Energia Comercializadora e Serviços Ltda.("Hélios"): Limited Liability Business Company having registered offices in Rio de Janeiro (RJ), engaged in the trading of electric power, management of power supply contracts, organization of electric power auctions and trading in power generation equipment. It owns subsidiary Solenergias Comercializadora de Energia S.A.;

(s) Equatorial Telecomunicações S.A. ("Equatorial |Telecomunicações"): A private entity headquartered in São Luís, Maranhão, Brazil, engaged in the provision of telecommunications service, land-line telephone service, multimedia communication services, voice over Internet protocol service and telecommunications information services. Its parent company is 55 Soluções S.A;

(t) Equatorial Maranhão Distribuidora de Energia S.A ("Equatorial Maranhão").: A publicly held corporation primarily engaged in electric power distribution in its legal concession area which embraces the entire state of Maranhão, serving 2,595,101(*) customers in 217(*) municipalities and covering an area in excess of 331.937 km^2 (*) as of December 31, 2020. The public power distribution concession contract (no. 060/2000) between the National Electricity Regulatory Agency - ANEEL and Equatorial Maranhão on August 28, 2000, has a term extending to August 2030 and is extendable for a further maximum term of 30 years at the concession authority's discretion. Under Resolution 4621, dated November 25, 2014, ANEEL approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures to be computed in accordance with ANEEL's pre-established rules, including those established after the most recent tariff review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. Equatorial Maranhão entered into the amendment on December 10, 2014 in accordance with the existing legislation and by the approval of the Board of Directors'; and

(u) Equatorial Pará Distribuidora de Energia S.A ("Equatorial Pará): A publicly traded corporation headquartered in Belém, Pará state, supplying electricity to its concession area embracing the whole of Pará state, serving more than 2,740,253(*) consumers in 144 (*) municipalities and covering an area in excess of 1,247,689 km²(*) km^2 as of December 31, 2020. Electricity distribution concession contract no. 182/1998 entered into by between ANEEL and Equatorial Pará on July 28, 1998, has a term extending to July 2028 and is extendable for a further term of 30 years at the concession authority's discretion. Under Resolution 4621, dated November 25, 2014, ANEEL approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures to be computed in accordance with ANEEL's pre-established rules, including those established after the most recent tariff review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. Equatorial Pará made the amendment on December 10, 2014 in accordance with the existing legislation and by the approval of the Board of Directors'**.**

(*) Non audited

(In thousands of Reais)

Summary by SPE's:

	Status	Contractual assets	Annual RAP guaranteed after 100% in operation
SPE 01	100% operating	740.446	88.119
SPE 02	100% operating	681.243	79.917
SPE 03	0% operating	1.152.801	116.500
SPE 04	0% operating	1.997.791	210.127
SPE 05	0% operating	946.056	96.961
SPE 06	0% operating	1.175.112	120.212
SPE 07	34% operating	1.021.347	101.650
SPE 08	100% operating	1.270.949	144.774

The subsidiaries 55 Soluções, Equatorial Transmissão, INTESA, Equatorial Piauí, Equatorial Alagoas and Equatorial Distribuição are referred to in the note's hereafter simply as "Subsidiaries".

GERAMAR and Vila Velha are joint ventures controlled by Equatorial Energia and are recognized using the equity method of accounting. These investments are recognized initially at cost, which includes transaction costs, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The accounting policies have been applied consistently to the consolidated companies, including the joint subsidiaries, and are consistent with those used in the previous year.

All intercompany accounts and transactions have been eliminated in the consolidation.

1.2. COVID-19 Impacts

In March 2020, the Covid-19 pandemic was declared by WHO. Since then, the Company has followed the spread of the virus in Brazil and the world and its impacts on the economy.

On March 25, 2020, ANEEL published Normative Resolution No. 878/2020 in response to measures of social distancing and restriction of mobility, and authorized the softening of certain obligations of the concession contract until June 30, 2020, such as a prohibition to suspend energy supply due to default by consumer units, which include residential customers and essential services. On July 21, 2020, ANEEL published Normative Resolution No. 891/2020, suspending the cut-off due to default, with the exception of consumers in the Low Income consumption class, who must remain protected by the cut-off clause until the year ending December 31, 2020, pursuant to Legislative Decree No. 6. The social distancing measures, combined with restrictions on suspension of energy supply have been causing a drop in consumption and in the collection of the electricity distribution concessionaires of Equatorial Group.

The Company and its subsidiaries presented below the main financial and economic effects of Covid-19 to date. The Company and its subsidiaries will continue monitoring the evolution of the situation and its impacts and, as a regulated company, its economic and financial balance is guaranteed in the concession contract.

The Company and its subsidiaries have taken several preventive measures for their employees, preventing them from exposure to risky situations, such as by canceling national and international trips, adopting home office and employees' rotation to avoid agglomerations, use of means of remote service, among others. The Company and its subsidiaries will continue to

comply with the guidelines of competent bodies and may adopt new preventive measures, focusing on the safety of their employees.

Among the effects we can mention the following:

Focus on Group employees:

(i) Creation of a Crisis Committee intended to monitor the effects of the crisis while evaluating measures to be taken to minimize such impacts on the Company's business and its subsidiaries;
(ii) Application of a home office system for all workers whose function enables this type of work;
(iii) For the areas that carried out their activities in operations centers, there was a reassessment of spacing and adjustment in positions, in order to guarantee the adequate distance and avoid agglomerations;
(iv) Suspension of meetings and face-to-face training, starting to adopt practices only by videoconference;
(v) Distribution of hygiene kit for vehicles and personal hygiene kit for employees working in the field;
(vi) Availability of masks for employees working in the units and in the field;
(vii) Employee body temperature check;
(viii) Suspension of international and national travel, except in cases of extreme need;
(ix) Reinforcement in the hygiene of work environments, observing the guidelines of WHO and the Brazilian Ministry of Health; and
(x) Implementation of occupational telemedicine in the Group's companies.

Focus on the Group's business:

(i) Revaluation of manageable expenses and investments in distribution for the current year in light of the new scenario;
(ii) Expansion of the services available through the Company's digital channels, with emphasis on the implementation of payment by credit card on the Company's website and the possibility of registering low-income consumers through service channel via WhatsApp;
(iii) Launching of a payment campaign for consumers, with a drawing of purchase vouchers, energy vouchers and a car within one year. For customers in default, performing actions in Black Friday week such as payment subject to no fine, interest or monetary adjustments;

(iv) Energy losses: There was an increase in non-technical loss of approximately 78.9 GWh for subsidiary Equatorial Maranhão, 147 GWh for subsidiary Equatorial Pará, 148.5 GWh for subsidiary Equatorial Piauí and 78.6 GWh for subsidiary Equatorial Alagoas, when compared to the same prior-year period, largely caused by actions to curb losses, even with the impossibility of cutting power during the pandemic period.
Energy supply: There was an increase in the supply of energy of subsidiary Equatorial Maranhão of 3.4%, which corresponds to an increase of approximately 200.4 GWh; in subsidiary Equatorial Pará, there was a decrease in the supply of energy of 0.03%, which corresponds to a decrease of 0.6 GWh; in subsidiary Equatorial Piauí, there was a decrease of 2.3%, which corresponds to a decrease in the supply of energy of 114.5 GWh; and in subsidiary Equatorial Alagoas, an increase of 2.4% in the supply of energy, which corresponds to an increase of 91.4 GWh in the year, which was very affected by determinations related to social distancing, since the first decrees were issued as of the second half of March;

(v) Over-contracting: Due to the reduction in energy consumption, the Company's subsidiaries were exposed to energy over-contracting which will be treated as an involuntary occurrence; and

(i) Provision for expected losses on doubtful accounts (PECLD): the default on trade notes receivable in the short-term bands increased due to the COVID-19 scenario and the consequent postponement of invoice receipts, affecting subsidiaries of the Company on the provision for expected losses on doubtful debts in the amount of R$ 141,862. The collection actions were halted due to public health measures from the last week of March 2020 and were resumed in mid-August 2020.

1.3 COVID-Account

To partially alleviate the financial impacts that affected distributors due to the pandemic, ANEEL published Normative Resolution No. 885/2020, which regulated Decree No. 10,350 of 2020 for the creation of Conta-Covid (Covid Account). The Covid Account is intended to anticipate financial resources for distributors via the tariff mechanism. The following items were considered in the amounts to be advanced: (i) over-contracting of energy; (ii) CVA balance setup, to be set up and not amortized, recognized in the tariff process prior to the publication of the Resolution; (iii) neutrality of sector charges; (iv) postponement, until June 30, 2020, of the application of the results of the tariff processes of distributors approved until that date; (v) unamortized balance of deferrals recognized or reversed in the tariff process prior to the publication of the Resolution; and (vi) anticipation of items related to B Component.

On July 3, 2020, Equatorial Energia SA joined Covid Account and with this adhesion, restrictions are applied to distributors controlled by the Company, which are: (i) prohibition of requirements for suspension or reduction of the volumes of electricity purchased under contracts for purchase and sale of electric energy based on the reduction of consumption due to the pandemic, observed until December 2020; (ii) limiting, in the case of intra-sector default, the distribution of dividends and interest on equity (IOE) to the minimum law-mandated 25 percent of net income, preserving the establishment of legal and contingency reserves; and (iii) waiver of the right to discuss, at judicial or arbitration level, the conditions, procedures and obligations established in the legal and regulatory provisions on the Covid Account. The right to request economic and financial rebalancing is nonetheless preserved.

(In thousands of Reais)

Due to the express statement of the waivers established in the Terms of Acceptance attached to Normative Resolution No. 885/2020, the Company's subsidiaries will deliberate at the next Special General Meeting on the exceptional limitation on the distribution of mandatory dividends or the payment of interest on equity, observing the minimum percentage legally required, in such cases and under such terms as required by the regulatory body through normative or contractual provisions, to mitigate the situation of financial imbalance caused by a third-party fact, a Prince's fact, an act of God or force majeure expressly recognized.

As of December 31, 2020, pursuant to Decisions Nos. 2177/2020, 2353/2020, 2640/2020, 2.914/2020, 3.197/2020 e 3.490/2020 respectively, published by ANEEL, the Companies' subsidiaries received the amount of R$ 1,136,762 from Covid Account.

Transfer by Distributor (R$ thousand):

Distributors	07/31/2020	08/12/2020	09/14/2020	10/13/2020	11/12/2020	12/14/2020	Total
Equatorial MA	116,674	19,114	9,472	206	1,698	59,930	207,094
Equatorial PA	284,511	30,622	785	-	-	89,680	405,598
Equatorial AL	320,945	3,689	-	-	-	-	324,634
Equatorial PI	143,482	22,634	13,434	10,695	6,088	3,103	199,436
Total	865,612	76,059	23,691	10,901	7,786	152,713	1,136,762

The Company's subsidiaries concluded that the transfer of Covid Account is a direct amortization from the Granting Authority through the CCEE of installments that, in normal conditions, would be received later via the tariff after being included in the tariff adjustments.

Thus, through the advance of A Component and financial items, the Company's subsidiaries recorded an increase in cash against the receipt of the sectorial financial asset or the setup of a sectorial financial liability, in an amount equal to the transfer of financial resources received from CCEE. As regards sectorial financial liabilities, these will be amortized when the effects of A Component are passed on to the consumer in the tariff adjustments.

Worth highlighting that the Company and its subsidiaries work with a conservative cash policy, which seeks to maintain sound liquidity by investing in top-tier financial institutions and in low credit risk operations, such as, among others, fixed income securities, government bonds, repo operations, debentures and Bank Deposit Certificated (CDBs).

2 Electricity distribution concession agreement

By means of Order No. 4621, of November 25, 2014, ANEEL approved a model amendment to utility concession contracts relating to distribution of electric power, whose purpose is to ensure that the remaining balances of regulatory assets or liabilities relating to financial amounts to be computed bases on the ANEEL preestablished regulations, including those recorded after the last tariff adjustment will be included in the indemnification amount to be received by the concession operator upon any concession termination, for whatever reason.

2.1 Equatorial Maranhão

Under the terms of Electric Power Distribution Concession Contract No. 060/2000, entered into on August 28, 2000 by ANEEL and Equatorial Maranhão and Equatorial Energia, the concession period is of 30 years, ending on August 28, 2030, and may be renewed for an equal period at the discretion of the granting authority.

Equatorial Maranhão, in accordance with the legislation in force, entered into referred to amendment on December 10, 2014, which was approved by its Board of Directors.

2.2 Equatorial Pará

Under the terms of Electric Power Distribution Concession Contract No. 182/1998, entered into on July 28, 1998 by ANEEL and Equatorial Pará and Equatorial Energia, the concession period is of 30 years, ending on August 28, 2028, and may be renewed for an equal period at the discretion of the granting authority.

Equatorial Pará, in accordance with the legislation in force, entered into referred to amendment on December 10, 2014, which was approved by its Board of Directors.

2.2.1 Electric power supply to isolated systems

In a bidding conducted by ANEEL (ANEEL Auction 02-2016) in April 2016, 23 thermal power plants (UTE) began to be operated by bid winner Consórcio Energia do Pará (CEPA) which, since February 2017, has been responsible for power generation in all municipalities that have not yet been connected to SIN. Contract No. 181/1998 became therefore invalid. The terms in connection with such agreement are mostly of 5 years and may be extended for another 12 months. By means of aforementioned process, Consórcio Energia do Pará (CEPA) became the new Independent Electric Power Producer (PIE) and Equatorial Pará became responsible for distributing electric energy in the mentioned municipalities, and the mechanism for reimbursement of expenses inherent in the isolated systems' electricity process will be maintained, in accordance with REN 801/2017.

2.3 Equatorial Alagoas

Under the terms of Electric Power Distribution Concession Contract No. 002/2019, entered into on March 19, 2019 by ANEEL and Equatorial Alagoas and Equatorial Energia, the concession period is of 30 years, ending on March 18, 2049, and may be renewed for an equal period at the discretion of the granting authority.

2.4 Equatorial Piauí

Under the terms of Electric Power Distribution Concession Contract No. 001/2018, entered into on October 18, 2018 by ANEEL and Equatorial Piauí and Equatorial Energia, the concession period is of 30 years, ending on October 17, 2048, and may be renewed for an equal period at the discretion of the granting authority.

3 Basis of preparation and presentation of the individual and consolidated financial statements

3.1 Statement of Compliance

The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil (BR-GAAP).

The accounting practices adopted in Brazil include those set out in Brazilian corporate law in a manner consistent with the standards set out in Accounting Pronouncements (CPC) approved by the Federal Accounting Council (CFC) and by the Brazilian Securities Commission (CVM).

The Company considered the guidance issued by Accounting Guidance OCPC 07, issued by the CPC in November 2014 in the preparation of its financial statements. Accordingly, the relevant information specific to the financial statements is evidenced and corresponds to that used by management in their activities.

The Company's subsidiaries also observes the guidelines laid down in the Brazilian Power Sector Accounting Manual and the standards issued by Brazilian power sector regulator, ANEEL, where not conflicting with Brazilian generally accepted accounting principles and/or with international financial reporting standards.

The individual and consolidated financial statements have been authorized for issue by the Board of Directors on March 24, 2021.

The changes related to the main accounting policies are described in note 4.22.

3.2 Basis of measurement

The Company's individual and consolidated financial statements was prepared based on historical cost, except for certain financial instruments measured at their fair values through profit or loss, when required by the standards.

3.3 Functional currency and presentation currency

The Company's individual and consolidated financial statements are reported in Reais, which is the Company's and its subsidiaries functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3.4 Use of estimates and judgments

Preparing the individual and consolidated financial statements requires Management to make judgments and estimates that affect the application of the Group's accounting policies and the reported values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.4.1 Judgements and uncertainties about assumptions and estimates

Information about judgments and uncertainties about assumptions and estimates made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements as of December 31, 2020 is included in the following notes:

- **Note 8.1 - Unbilled revenue:** Estimates of the amount of revenue on energy consumed, but not billed;

- **Note 8.2 - Accounts receivable:** Credit risk analysis criteria for determining the allowance for doubtful accounts;

- **Note 12 - Equity-accounted investees:** determines whether the Group has significant influence over an investee;

- **Note 13 - Financial asset of the concession (distribution):** Criteria for determining and restating concession financial assets;

- **Notes 15 (Contract assets) and 28 (Net operating revenue):**
  In accounting for concession contracts, Company subsidiaries that transmit power conduct analyses that involve management's judgment, substantially concerning applicability of the concession contracts' interpretation, calculation and classification of revenue for performance obligations into revenue from infrastructure implementation, revenue from compensation of contract assets and revenue from operation and maintenance.

  Management of the subsidiaries that are transmission companies assesses the timing for recognition of concession assets based on the economic characteristics of each concession contract. Contract assets are originated to the extent that the concession operator satisfies the obligation to build and implement the transmission infrastructure, and revenue is recognized over the term of the project. Contract assets are matched against infrastructure revenue, which is recognized in proportion to the expenses incurred. The contract assets' indemnifiable portion, existing in certain types of contract, is identified when the infrastructure implementation is finalized.

  Profit margin for infrastructure implementation is calculated based on the characteristics and complexity of the ventures, as well as on the macroeconomic scenario in which such ventures are established, and takes into consideration the estimated flows of cash receipts in relation to the estimated flows of expected costs for infrastructure implementation investments. Profit margins are reviewed on an annual basis, when the venture enters into operation and/or indications of significant variations in construction progress are identified.

  The profit margin for transmission infrastructure operation and maintenance activities is computed based on observation of item-by-item revenues applied in similar observable circumstances, in cases in which Company subsidiaries that are transmission companies are exclusively, i.e. severely entitled to compensation for operating and maintenance activities, in accordance with CPC 47/IFRS 15 – Revenues from Contract with Customers and costs incurred for provision of operating and maintenance activity services.

In order to segregate the financing component included in the infrastructure implementation operation, the Company estimates the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract commencement.

The rate applied to the contract assets reflects the implicit rate of each venture's financial flow and considers the Company's estimate to precify the financial component established in the beginning of each concession contract, by function of the macroeconomic characteristics aligned with the granting authority's methodology and each project's capital cost structure.

These rates are established at start date of each concession contract or improvement and reinforcement projects, and remain unchanged over the concession period. When the granting authority reviews or adjusts the revenue that the Company's transmission subsidiaries are entitled to receive, the contract assets' carrying amount is adjusted to reflect the reviewed flows, and this adjustment is recorded as income or expense directly in P&L for the year.

For infrastructure implementation activities, infrastructure revenue is recognized at fair value and respective costs relating to infrastructure implementation services are recorded as incurred, added to the estimated margin for each venture, taking into account the estimated consideration from variable portions.

The variable unavailability portion (PVI) is estimated based on the historical series of occurrences, and the historical average is not materially significant. Due to the forecasting difficulty prior to each project's entry into operation, the variable portion for entry into operation (PVA) and the variable portion for operational restriction (PVRO) are included, when applicable, in the receipt flows when Company transmission subsidiaries rate their occurrence as probable.

For operation and maintenance activities, revenue is recognized for the pre-established fair price, which considers the estimated profit margin, to the extent that the services are provided.

- **Note 14 - Intangible assets:** Calculation of the amortization of intangible concession assets linearly over the period in which the company is entitled to charge consumers for the use of the underlying concession asset (the regulatory useful life of assets) or the term of the concession contract, whichever is shortest;;

- **Note 20 - Deferred income and social contribution taxes:** Deferred income and social contribution taxes on temporary differences based on projections of taxable income and the availability of future taxable earnings. Deferred tax is recognized in respect of temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes; and the tax losses, based on projections of taxable income and the availability of future taxable earnings;

- **Note 25 - Provisions for civil, tax, labor and regulatory claims:** Recognition of provisions for tax, civil and labor risks by rating the chance of defeat according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions;

- **Note 27.8 - Stock option plans:** Probability of exercising options;

- **Note 32 - Post-employment benefits:** Recognition of pension plan expenditure on post-employment health care benefits and the present value of pension obligations through actuarial valuation, which involves the use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future increases in retirement and pension benefits; and

- **Note 33- Financial instruments:** Definition of fair value using valuation techniques including the discounted cash flow method for financial assets and liabilities not traded in an active market.

(a) Changes in fair value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a distressed transaction between market players at measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability will occur:

- In the main market for the asset or liability; and
- In the absence of a main market, in the most advantageous market for the asset or liability. The main market or most advantageous market should be accessible by the Company.

The Company and its subsidiaries have an established control framework with respect to the measurement of fair values. This includes an internal valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of CPC/IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company and its subsidiaries uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: valuation techniques for which the significant and lowest level information for measurement of fair value may be observed directly or indirectly

Level 3: valuation techniques for which the significant and lowest level information for measurement of fair value is not available.

The Company and its subsidiaries, when applicable, recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 33 - Financial instruments.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these individual and consolidated financial statements, except for the new standards mentioned in note 4.23.

4.1 Basis of consolidation

4.1.1 Subsidiaries

The Company controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can interfere in its returns due to the power it exercises over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiaries' financial information is recognized in the Company's individual financial statements on the equity method of accounting.

4.1.2. Non controlling interests

The Company has elected to measure NCI initially at its proportionate share of the acquires identifiable net assets at the date of acquisition. and the fair value of identifiable assets and liabilities undertaken.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.1.3 Investments in equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

These investments are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Investments in subsidiaries are accounted for under the equity method in the Company's individual financial statements.

The joint ventures are Geradora de Energia do Norte S.A. and Vila Velha Termoelétricas Ltda.

4.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency

The transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on re-translation are generally recognized in profit or loss.

4.3 Operating revenue

4.3.1 Revenue recognition

Revenues are recognized when (or to the extent that) Company subsidiaries satisfy the performance obligation in transferring the service (i.e. an asset) promised to the customer. The asset is considered transferred when (or to the extent that) the customer obtains control over this asset.

The subsidiaries transfer control over the asset or service over time and, therefore, fulfill the performance obligation and recognize revenues over time, if one of the following criteria are met: (a) the customer receives and consumes simultaneously the benefits generated by the subsidiaries' performance to the extent that the subsidiaries effectively perform; (b) the subsidiaries' performance creates or improves the asset that the customer controls to the extent that the asset is created or improved; or (c) the subsidiaries' performance does not create an asset with alternative use for the subsidiaries and the subsidiaries have an enforceable right to payment for the performance concluded to date.

Operating revenue is composed of:

4.3.1.1 Distribution

Revenue from electric power distribution is billed and recognized monthly in accordance with the reading calendar. In addition, the Company recognizes unbilled amounts, corresponding to the period from the last reading date to month closing date, which are estimated and recognized as revenue in the month in which the energy was consumed.

Its subsidiaries' distribution revenue is classified as: (i) Electricity supplied to consumers; (ii) electricity availability; and (iii) Electricity in the spot market. Revenue is measured at fair value of the corresponding payment received or receivable, net of any variable counterpart, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

(i) Distribution grid facilities

The subsidiaries recognizes revenue for providing distribution grid facilities to its free and captive clients. This revenue is calculated according to the Distribution System Use Rate - TUSD set by ANEEL.

(ii) Construction

Company subsidiaries record revenues and costs relating to construction or improvement services of the infrastructure used in providing electric power distribution services.

Construction margin is null, since: (i) the tariff model does not provide for profit margins for infrastructure construction activity; (ii) the core activity of the subsidiaries is electric power distribution; (iii) constructions are substantially performed by means of third-party services; and (iv) no gains from construction are forecasted in the plans of Company subsidiaries' management.

4.3.1.2 Transmission

Revenue from transmission companies recognized as operating revenue consists of:

(i) Construction

Infrastructure revenue (from deployment and reinforcement of electricity transmission facilities) is recognized over time by applying the margin defined at the start of the contract on the expenses incurred, calculated by adding the PIS and COFINS rates to the investment, as the projects contain a sufficient margin.

(ii) Compensation of contract asset

For recognition of revenue on contractual assets, a financial remuneration income is recorded, under the item remuneration of contractual assets, using the discount rate defined at the beginning of each project. This monthly compensation should compensate the infrastructure and indemnity the Company expects to receive from the concession authority at the end of the concession. The indemnity is considered by the company to be the residual carrying amount at the end of the concession.

(iii) Operation and maintenance revenue (O&M)

Operating and maintenance services for electricity transmission facilities, which begin after the construction stage and aims to ensure these facilities are up and running at all times.

4.4 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with original maturities of up to three months and an immaterial risk of impairment, presented net of secured accounts in the statement of cash flows. Secured accounts are presented in the statement of financial position as "Loans" under current liabilities.

4.5 Financial asset of the concession (compensable asset)

Public Electricity Concession Agreements between the government (concession authority) and the Company's subsidiaries (concession operator) regulate the exploration of public energy distribution services, where:

- The agreement establishes which services the operator shall provide and to whom (consumer class);

- The agreement establishes performance standards for providing utility services regarding the maintenance and improvement of consumer service quality indexes, and at the end of the arrangement the operator is obliged to return the assets in the same state of repair it received them originally. In order to perform these obligations constant investments are made throughout the concession term. Assets related to the concession can therefore be replaced on a number of occasions before the end of the arrangement;

- At the end of the concession the assets related to the infrastructure should be returned to the concession authority through payment of compensation;

- The price is regulated by a rate mechanism established in concession agreements based on a parametric formula (Portions A and B), and the rate review mechanisms are defined, which should be sufficient to cover costs, amortization of the investment and yield of the invested capital;

Based on the characteristics established in the Company's electricity distribution concession agreement, Management believes that the conditions have been met to apply ICPC 01 (R1)/ IFRIC 12 Technical Interpretation 01 (R1) - Concession Arrangements, which provides guidelines about the accounting of utility concessions for private operators, in order to reflect the energy distribution business, embracing;

- Estimated portion of the investments made and not amortized or depreciated by the end of the concession determined based on the New Replacement Value (“VNR”) net of special obligations classified as financial assets due to be an unconditional right to receive cash or another financial asset directly from the concession authority; and

- Remaining portion of the financial assets (residual value) computed according to the New Replacement Value (“VNR”) classified as intangible assets because their recovery is conditional on usage of the public service, through consumption of energy by consumers (Note 13 – Concessions).

Distribution infrastructure received or constructed, which was originally represented by the Company’s financial assets and intangible assets, is recovered by two cash flows, to wit: (i) through the consumption of energy by consumers (issue of monthly billing upon measurement of power consumed/sold) over the concession period; and (ii) as indemnification of reversible assets at the end of the concession period, to be received directly from the granting authority or whomever such granting authority delegates this task to.

In accordance with Law No. 12783/2013, calculation of investments linked to reversible assets, not yet amortized, for indemnification purposes, must be based on the new replacement value method (using the Regulatory Compensation Base - BRR), which is the criterion adopted by ANEEL to determine the energy tariff of distribution companies. In addition, compensation referring to the portion of assets that composes the compensation base is recognized, including the portion not yet approved by ANEEL, which is calculated based on estimates and taking into consideration, besides IPCA, an expectation of disallowances based on management's experience and the history of disallowances in prior approval requests, which better reflects the best estimate for the asset's fair value. The Company records adjustments to the concession-related indemnifiable financial assets under operating revenues, which more appropriately reflects its electric power transmission and distribution business model and better presents its financial position and performance, in accordance with paragraph 23 of OCPC 05 – Concession Contracts.

This compensation will be made based on the investments made in returnable concession infrastructure, not yet amortized or depreciated, which have been realized in order to guarantee the continuity and upgrading of the service awarded.

The Company's subsidiaries recognizes a financial asset resulting from a concession agreement when it has an unconditional contractual right to receive cash or other equivalent financial asset from the concession authority for the improvement or construction services provided.

If the Company's subsidiaries are reimbursed for construction services partially through a financial asset and partially through an intangible asset, then each component of the remuneration received or receivable is recorded individually and initially recognized at fair value of the remuneration received or receivable and are not reclassified subsequent to initial recognition, unless the Company changes its management model for the financial asset.

4.6 Amounts receivable relating to Portion A and other financial items

Electric power tariffs, pursuant to the tariff model in effect, must consider revenue that is sufficient to ensure the concession's economic and financial balance. In this sense, electric power distribution companies are authorized to charge their consumers: (i) annual tariff adjustment; and (ii) every four years, according to each concession, periodic review for purposes of partial recalculation of Portion B, and adjustment of Portion A.

Electric power tariffs are composed of two portions:

- Portion A (non-manageable costs): this portion must be neutral in relation to the Company subsidiaries' performance, i.e. costs incurred by Company subsidiaries, which may be classified as Portion A, are fully passed through to the consumer and supported by the granting authority; and

- Portion B (manageable costs): composed of expenses with investments in infrastructure, expenses with operation and maintenance, and compensation to capital providers. This portion effectively affects the entity's performance since it is subject to risk inherent in the business and has no guarantee of tariff neutrality.

This tariff definition mechanism may give rise to timing differences, which derive from the difference between estimated costs (Portion A and other financial components) included in the tariff at the beginning of the tariff period and costs effectively incurred over the tariff effectiveness period. This difference constitutes a right to receive by Company subsidiaries in cases in which the forecasted costs included in the tariff are lower than the costs effectively incurred, or an obligation when the estimated costs included in the tariff exceed the costs effectively incurred. These differences are recorded on an accrual basis and estimated as revenue by means of a sector-related asset or a decrease in financial assets in the case of a sector-related liability.

These amounts are effectively settled during the coming rate period (upon effective pass-through to the tariff), or in the event the concession is terminated for any reasons, with balances that have not been recovered, they will be included in the compensation base that exists. This settlement is only of a financial nature since its effect on P&L for the year through a revenue adjustment has already been recognized on an accrual basis.

4.7 Intangible assets

4.7.1 Service concession agreements

The Company’s subsidiaries recognizes an intangible asset resulting from the concession agreement when it is entitled to charge for use of the concession asset. An intangible asset received as remuneration for the provision of construction services or improvements under a service concession agreement is measured at fair value upon initial recognition. After this recognition, this intangible asset is measured at cost, less accumulated amortization and impairment losses.

4.7.2 Special obligations

Obligations related to electric utility concessions and permits represents a financial liability consisting of amounts and/or goods received from Municipalities, States, the Federal Government and consumers in general in connection with donations and co-investments with the Company’s subsidiaries, and no writing off thereof is permitted without the prior approval of the Regulatory Agency.

4.7.3 Other intangible assets

Other intangible assets that are acquired by the Company have finite useful lives that are measured at cost less accumulated amortization and any impairment losses.

4.7.4 Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

4.7.5 Amortization

Amortization is calculated on the acquisition cost of an asset or other equivalent cost, deducted from the residual value. Amortization is recognized using the straight-line method and limited to the remaining term of the concession agreement of the Company's subsidiaries or estimated useful life of intangible assets, whichever is lower, other than goodwill, as from the date they are available for use. This method best reflects the consumption pattern of future economic benefits incorporated into the asset.

The useful life of an intangible asset in a concession arrangement is the period from which the Company can charge public consumers for use of the infrastructure until the end asset's useful life, not beyond the end of the concession period. Amortization methods and useful lives are reviewed if so, resolved by the regulatory agency.

4.8 Contractual assets

4.8.1 Distribution

The contractual asset is the right to be paid in exchange for goods or services transferred to the customer. As determined by CPC 47 - Revenue from contracts with customers, the assets linked to the concession under construction, recorded under the scope of ICPC 01 (R1) - Concession Contracts ("ICPC 01"), should be classified as a contractual asset since the Company has the right to charge for the services provided to utility service consumers or receive cash or other financial assets, for reversal of the utility service infrastructure, only after the assets under construction (contract assets) are transferred to concession-related intangible assets, in which the nature of the compensation paid by the granting authority to the concession operator is determined in accordance with the terms of the concession contract.

4.8.2 Transmission

Electric power transmission services are regulated by means of concession contracts between the federal government (granting authority – grantor) and subsidiaries of the Company, which is in charge of transporting the energy from the generation centers to the distribution points.

The concession contract establishes that Company subsidiaries will build a transmission infrastructure or invest in the improvement of the existing infrastructure. Company subsidiaries maintain their transmission infrastructure available for users to the extent that the performance obligations are satisfied and receive Annual Permitted Revenue (RAP) as compensation, over the term of the contract.

Investments in transmission infrastructure are amortized to the extent that receipts occur. Any unrealized investments give rise to the right to indemnification by the granting authority (when provided for by contract) which, at the end of the concession, will receive the entire transmission infrastructure.

As from January 01, 2018, upon the advent of Accounting Pronouncement (CPC 47) – Revenue from Contracts with Customers (correlation with International Financial Reporting Standards – IFRS 15), performance obligations provided for in electric power transmission concession contracts must be identified. Accordingly, the following two performance obligations are included in the contractual relationship between Company subsidiaries and the granting authority: (i) infrastructure construction and improvement (C&M); and (ii) operation and maintenance (O&M).

In order to recognize revenue in line with CPC 47, considering that the contract presents an overall RAP amount, RAP for performance obligations is estimated as follows:

(i) Revenues from infrastructure construction and improvement are services relating to implementation and reinforcement of the electric power transmission facilities, and are recognized by applying the projected margin, estimated at contract start, on expenses incurred and calculated by adding PIS and COFINS rates;

(ii) Revenues from operation and maintenance (O&M) derive from costs incurred necessary to comply with the operation and maintenance performance obligations provided for in the concession contract, plus the projected margin defined in the venture's initial projections. Operation and maintenance revenues are recognized after completion of construction phase; and

On December 01, 2020, CVM published CVM/SNC/SEP Memorandum Circular No. 04/2020 to provide guidance on the significant aspects of CPC 47 (IFRS 15) and CPC48 (IFRS 9) that must be observed in the preparation of the financial statements of Company subsidiaries at December 31, 2020, especially: (i) determination and attribution of an infrastructure implementation margin over the construction period; (ii) application of an implicit discount rate to concession-related contracts assets; (iii) classification of the assets of Law No. 12783 – SE as contract assets; and (iv) segregation of revenue from concession asset compensation in a specific account in the statement of profit or loss; and (v) recognition of the impacts of Periodic Tariff Review (RTP) due to change in regulatory base (BRR) or capital remuneration rate (regulatory WACC) in a heading below operating margin.

The Company analyzed the provisions of referred to memorandum circular and identified no material impacts that would require restatement of the individual and consolidated financial statements for the year ended December 31, 2019, in light of the fact that, as from adoption of CPC 47 (IFRS 15) on January 01, 2018, its transmission subsidiaries already adopted a substantial portion of the guidance contained therein. The implicit average rate that remunerates contract assets is of 9.42%. The SPEs' average operation and maintenance rate was estimated at 24.87% and Intesa's at (30.07%). The SPEs' average infrastructure construction and improvement rate was estimated at 40.20% and Intesa's at 63.16%.

To the extent that the performance obligations are satisfied, revenue is recognized against a contract asset until duly approved by ANEEL. After such approval, when Company subsidiaries obtain the unconditional right to cash, the amounts are classified as financial assets.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to be made ready for sale or their intended use are capitalized as part of the corresponding asset's cost. All other loan costs are recorded as an expense in the year they are incurred in. Borrowing costs consist of interest and other costs incurred by an entity.

4.10 Regulatory charges

Sales and distribution service revenue is subject to the following taxes and contributions at the following basic rates:

- **Research and development (Pesquisa e Desenvolvimento P&D) and energy efficiency (Pesquisa de Eficiência Energética - PEE)** – Charges establishes that public electric energy distribution service concession operators are obliged to annually invest the minimum amount of 0.75% (zero point seven five percent) of their net operating revenue in electric sector research and development and at least 0.25% (zero point two five percent) in electrical efficiency programs for final use;

- **Energy Development Account (Conta de Desenvolvimento Energético - CDE) -** Sector fund aiming to fund various public policies in Brazil's electric sector;

- **System service charges (Encargos de Serviços do Sistema - ESS)** – These are aimed at allocating funds to cover SIN service costs, which include costs deriving from delivered generation irrespective of order of merit; operating power reserve for regulating the system's frequency and autonomous start capacity; capacity reserve above reference values established for each generator, required for operating the transmission system; and operation of generators as synchronous compensators, tension regulation and load relief and generation cut schemes. Reserve Energy Charges (Encargos de Energia de Reserva - EER) represent all costs deriving from reserve energy contracted, understood as the reserve intended to increase security in the supply of electric power to SIN; and

- **Electricity services inspection fee (Taxa de Fiscalização de Serviços de Energia Elétrica - TFSEE) -** intended to cover the cost of ANEEL activities and whose calculation methodology is detailed in submodule 5.5. of Tariff Regulation Procedures (PRORET). TFSEE was instituted by Law No. 9427/1996, regulated by Decree No. 2410/1997 and subsequently amended by Law No. 12783, of January 11, 2013, which reduced from 0.5% to 0.4% the annual economic benefit earned by the concession operator.

These charges are presented as a deduction of revenue from use of the distribution system in the statement of profit or loss.

4.11 Government subsidies and grants

Government grants are recognized if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant.

When the benefit covers an expense, it is recognized as revenue over the benefit period on a systematic basis in relation to the cost the benefit is aiming to compensate.

When the benefit consists of an asset, it is recognized as deferred revenue and entered in profit and loss, in an amount equal to the expected useful life of the corresponding useful asset.

When the Company receives non-monetary benefits, the asset and the benefit are recorded at nominal value and reflected in profit or loss over the expected useful life of the asset, in equal annual installments.

4.11.1 Tax benefits

Equatorial Maranhão
SUDENE
On August 08, 2018 the Northeast Development Agency (SUDENE) issued Opinion 0101/2018 granting Equatorial Maranhão the right to a further reduction of income tax of 75% in exchange for upgrading its power systems over the period from 2018 to 2027.

Equatorial Alagoas
SUDENE
On November 08, 2019, the Superintendency for the Development of the Northeast (SUDENE) issued Certificate of Income Tax Reduction No. 0066/2019, granting Equatorial Alagoas Distribuidora de Energia S.A. the right to reduce income tax by 75% justified by the full refurbishment of its electric power facilities, effective from 2019 to 2028.

Equatorial Piauí
SUDENE
On September 24, 2018, SUDENE issued Certificate of Income Tax Reduction No. 244/2018, granting Equatorial Piauí the right to reduce income tax by 75% justified by the full refurbishment of its electric power facilities, effective from 2018 to 2027.

Equatorial Pará
SUDAM
On December 28, 2018 the Amazonian Development Agency - SUDAM issued Opinion 180/2018 granting Equatorial Pará a reduction of income tax on operating income to 75% in connection with the diversification of the company's projects and infrastructure over the period from 2018 to 2027.

Equatorial Telecomunicações
SUDENE
On November 08, 2018, SUDENE issued Certificate of Income Tax Reduction No. 0173/2018, granting Equatorial Telecomunicações S.A. the right to reduce income tax by 75%, for construction and maintenance revenue, effective from 2019 to 2028.

On December 26, 2019, SUDENE issued Certificate of Income Tax Reduction No. 0243/2019, granting Equatorial Telecomunicações S.A. the right to reduce income tax by 75%, for Public Switched Telephone Network (PSTN) revenue, effective from 2019 to 2028.

Equatorial Transmissão

SPE 01 and 02

SUDENE
On October 21, 2020, SUDENE issued Certificate of Income Tax Reduction No. 80/2020, granting Equatorial Transmissora 1 SPE S.A. and Certificate of Income Tax Reduction No. 79/2020, granting Equatorial Transmissora 2 SPE S.A. the right to reduce by 75% Corporate Income Tax (IRPJ) justified by transmission lines implemented in Sudene operation area, effective from 2021 to 2030.

SPE 03 and 04
SUDENE
On January 11, 2019, SUDENE issued Resolution No. 366/2018, which grants Equatorial Transmissora 3 SPE S.A. and Resolution No. 365/2018, which grants Equatorial Transmissora 4 SPE S.A. the right to reduce by 75% Corporate Income Tax (IRPJ), subject to the venture’s entry into operation and submission of the documents required by law for obtaining the Certificate of Income Tax Reduction.

SPE 05 and 06
SUDENE
On November 08, 2018, SUDENE issued Resolution No. 320/2018, which grants Equatorial Transmissora 5 SPE S.A. and Resolution No. 321/2018, which grants Equatorial Transmissora 6 SPE S.A. the right to reduce by 75% Corporate Income Tax (IRPJ), subject to the venture’s entry into operation and submission of the documents required by law for obtaining the Certificate of Income Tax Reduction.

SPE 07
SUDAM
On December 05, 2018, the Superintendency for the Development of the Amazon (SUDAM) issued Resolution No. 203/2018, which grants Equatorial Transmissora 7 SPE S.A. the right to reduce by 75% Corporate Income Tax (IRPJ), subject to the venture’s entry into operation and submission of the documents required by law for obtaining the Certificate of Income Tax Reduction.

SPE 08
SUDAM
On December 30, 2020, SUDAM issued Certificate of Income Tax Reduction No. 98/2020, granting Equatorial Transmissora 8 SPE S.A. the right to reduce by 75% Corporate Income Tax (IRPJ) justified by transmission lines implemented in Sudam operation area, effective from 2020 to 2029.

REIDI
The Company's transmission companies qualified for the Special Infrastructure Development Incentive Scheme - REIDI (introduced by Law 11.488/2007), which awards the tax incentive of staying PIS (Contribution to Social Integration Program) and COFINS (Contribution to Social Security Financing Program) in the acquisitions of goods and services for infrastructure works over the term of 5 (five) years, pursuant to DRF Executive Declaration 57, issued August 01, 2017.

4.11.2 Benefits for reinvestments

Equatorial Maranhão

These derive from the tax benefit instituted by the federal government through Law No. 5508/1968, as amended by Law No. 8167/1991, Law No. 9.532/1997 and Provisional Executive Order No. 2199/2014, which allows companies operating in industrial, agro-industrial, infrastructure and tourism sectors, considered a priority in accordance with Decree No. 4213/2002 and which operate in the SUDENE area, to reinvest in their own equipment supplementation or modernization projects. The reinvestment corresponds to 30% of income tax payable, calculated on profit from tax incentive activities (‘*lucro da exploração*’), plus a portion (50% of such 30%) of own funds. The amounts are paid to BNB and may be used for refunding expenses already incurred in the calendar year corresponding to the option or purchasing new equipment items, and may not be used for buying used or reconditioned equipment.

4.12 Finance income and costs

The company's finance income and finance costs include:

- Interest income and expenses;
- Yield on investments;
- Net gain or loss on financial assets at Fair Value Through Profit or Loss (FVTPL);
- Foreign currency gain or loss on financial assets and financial liabilities
- Net gains/losses on derivative financial instrument that are recognized in profit or loss
- Discounts granted and obtained; and other financial expenses and revenues

Interest income or expense is recognized using the effective interest method.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to:

- The net carrying amount of the financial asset; or
- Amortized cost of the financial liability.

When calculating the interest revenue or expense, the effective interest rate is charged on the gross carrying amount of the asset (when the asset is not impaired) or at the amortized cost of the liability.

However, interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset suffering impairment after initial recognition. In case the asset is no longer impaired, calculation of interest income based on the gross amount is resumed.

4.13 Employee benefits

4.13.1 Short-term employee benefits

Short-term employee benefits are expensed as personnel expenses as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.13.2 Defined-contribution plans

Obligations for contributions to defined contribution plans are expensed as personnel expenses as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.13.3 Defined benefit plans

The Company's net obligation in respect of benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years. This amount is discounted to present value and is presented net of the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Company and its subsidiaries determines the net interest expense (income) on the net defined benefit liability (asset) for the year period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.13.4 Stock option plan

Equatorial Energia S.A. granted share-based payment and share purchase options to executives of the Group Companies.

Management recognizes products or services received or acquired in a share-based payment transaction when the Company obtains the products or to the extent that the Company receives the services. For matching purposes, the Company recognizes the corresponding increase in equity if the products or services are received in a share-based payment transaction settled in equity instruments, or a financial liability, corresponding to share-based payment settled in cash (or with other assets).

Fair value at grant date of share-based payment arrangements granted to employees is recognized as personnel expenses and a corresponding increase in equity or liabilities, over the period in which the employees acquire an unconditional right to the premiums. The amount recognized as expense is adjusted to reflect the number of premiums for which the service and performance conditions are expected to be met, so that the final amount recorded as expense is based on the number of premiums that effectively met the service conditions at vesting date.

4.14 Income tax and social contribution

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income, when applicable.

Income tax and social contribution expense comprises current and deferred income tax and social contribution. Current and deferred tax is recognized in profit or loss.

4.14.1 Current income tax and social contribution expense

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years, and reflects the uncertainty relating to income taxes, if any. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The Company and its subsidiaries should offset current tax assets and current tax liabilities if the Company and its subsidiaries:

- has legally entitled to offset the recognized amounts; and
- Intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.14.2 Deferred income tax and social contribution expense

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Changes in deferred tax assets and liabilities are recognized as deferred income tax and social contribution expense.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used, and reflects the uncertainty relating to income taxes, if any. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income adjusted for the reversals of the existing temporary differences will be considered based on the business plans.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.15 Earnings (loss) per share

The basic earnings per share are calculated through profit and loss for the year and the weighted average of the free float in the respective period. The diluted earnings per share are calculated according to the profit and loss for the year attributable to controlling shareholders, adjusted for the effects of instruments potentially impacting profit and loss for the year and the average free float, adjusted for instruments potentially convertible into shares with a dilutive effect in the reported years, pursuant to CPC 41/IAS 33 - Earnings per Share.

4.16 Financial instruments

4.16.1 Recognition and initial measurement

Trade accounts receivable and issued debt securities are initially recognized on the date they originate. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (except for trade accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs directly attributable to its acquisition or issuance. A trade accounts receivable without a significant financing component is initially measured at the operation price.

4.16.2 Classification and subsequent measurement

(a) Financial assets

Upon initial recognition, financial assets are classified as subsequently measured at amortized cost; at fair value through other comprehensive income (FVOCI); or at fair value through profit or loss (FVTPL). The Company and its subsidiaries have no financial assets classified at fair value through other comprehensive income.

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management. In this case all the affected financial assets are reclassified on the first day of the first period following the business model change.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model with the objective of maintaining financial assets in order to receive contractual cash flows; and

- its contractual terms generate the cash flows on specified dates that constitute solely payments of principal and interest on the outstanding principal.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not stated as measured at FVTPL:

- It is maintained within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of assets financial resources; and

- Its contractual terms generate, at specific dates, cash flows that are only principal's payments and interest on the outstanding principal amount.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are classified as FVTPL. This includes all derivative financial assets. Upon initial recognition, the Company irrevocably assigns a financial asset that would otherwise meet the requisites to be measured at amortized cost or FVOCI as FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(b) Financial assets - assessment of the business model

The Company assesses the objective of the business model in which a financial asset is maintained in the portfolio which better reflects how the business is managed and the information is provided to Management. The information considered includes:

- The policies and objectives stipulated for the portfolio and the practical functioning of these policies. These include the question of ascertaining whether the Management strategy is focused on obtaining contractual interest revenue, maintaining a given interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash flows, or the realization of cash flows through the sale of assets;

- How the portfolio's performance is assessed and reported to Company Management;

- The risks affecting the performance of the business model (and the financial asset maintained in said business model) and how such risks are managed;

- How business managers are compensated - for example, if the compensation is based on the fair value of the assets managed or the contractual cash loans obtained; and

- The frequency, volume and timing of the financial asset sales in previous years, the reasons for these sales and expectations for future sales.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company’s assets.

Financial assets held-for-trading or managed with performance assessed based on fair value are measured at fair value through profit or loss.

(c) Financial assets - assessment as to whether the contractual cash flows are merely payments of principal and interest

For the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. The interest is defined as a payment for the value of the money over time and the credit risk posed by the outstanding principal over a given period of time and the other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company and its subsidiaries examines the instrument’s contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet this condition. When making this assessment the Company considers:

- Contingent events modifying the value or timing of the cash flows;
- Terms that could adjust the contractual rate, including variable fees;
- Prepayment and extending the term; and
- The terms limiting the Company’s access to specific cash flows from specific assets (for example based on an asset’s performance).

Prepayment is consistent with the criteria of paying the principal and interest if the prepayment mainly represents unpaid amounts of the principal and interest on the outstanding principal - which may include reasonable additional compensation for early termination of the contract. Furthermore, in relation to a financial asset acquired for an amount less than or greater than the nominal value of the contract, the permission or requirement for prepayment at an amount representing the nominal value of the contract plus the contractual interest (which may also include reasonable additional compensation for early termination of the contract) accumulated (but not paid) are treated as consistent with this criteria if the fair value of the prepayment is insignificant upon initial recognition.

(d) Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently stated at fair value. The net income including interest or dividend revenue is recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized in profit or loss. Any gain or loss resulting from derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently stated at fair value. Interest revenue calculated by the effective interest rate, exchange variance gains and losses and impairment are recognized in profit and loss. Other net income is recognized in OCI. Upon derecognition, the gain or loss accumulated in OCI is reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently stated at fair value. The dividends are recognized as a gain in profit and loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income in recognized in OCI and never reclassified to net income.

(e) Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost or FVTPL.

A financial liability is classified as at fair value through profit or loss if it is classified as held-for trading, is a derivative or is designated as such on initial recognition. Financial liabilities measured at FVTPL are measured at fair value and the net revenue, including interest, is recognized in profit or loss. Other financial liabilities are subsequently measured at the amortized cost using the effective interest rate method.

Expenses on interest, exchange variance gains and losses are recognized in profit or loss. Any gain or loss resulting from derecognition is also recognized in profit or loss.

4.16.3 Derecognition

(a) Financial assets

The Company and its subsidiaries derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company and its subsidiaries transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred or in which the Company and its subsidiaries neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset nor retains control over the financial asset.

(b) Financial liabilities

The Company and its subsidiaries derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company and its subsidiaries also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized based on the modified terms and recognized at fair value.

Upon derecognizing a financial liability, the difference between the former carrying amount and the amount paid (including assets transferred that do not flow through cash or undertaken liabilities) is recognized in profit or loss.

4.16.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company and its subsidiaries currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.16.5 Derivative financial instruments and hedge accounting

The subsidiaries Equatorial Pará and Equatorial Piauí hold derivative financial instruments to hedge their foreign currency and interest rate risk exposures.

Derivatives are measured initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, except for cash flow hedges, defined below:

(a) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedge reserve. The effective portion of changes in the fair value of the derivative recognized in OCI is limited to the accumulated change in the fair value of the hedge item, determined based on present value, since the hedge’s inception. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

4.17 Capital

4.17.1 Common shares

Common shares are classified in equity. Incremental costs directly attributable to issue of new shares are stated in equity and deducted of the amount raised, net of taxes. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with CPC 32/IAS 12 - Taxes on Profit.

4.17.2 Preferred shares

Non-redeemable preferred shares are classified in equity, since dividends are paid on a discretionary basis. These shares do not generate any obligation to deliver cash or other financial assets of the Company, nor do they require settlement in a variable number of equity instruments. Discretionary dividends are recognized as distributions in equity at the date when approved by Company shareholders.

4.17.3 Dividends

The dividend recognition policy complies with CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and ICPC 08 (R1) Recording proposed dividend payments, which determines that proposed dividends supported by bylaw obligations should be recorded in current liabilities.

The Company's bylaw state that at least 25% of the annual net income should be paid out as dividends. The bylaws also state that the Board of Directors shall resolve the payment of interest on shareholders' equity and dividends.

4.17.3 Dividends distribution

The Company records a liability equal to the minimum mandatory dividend not yet distributed in the course of the year, whereas its records dividends proposed in excess of the minimum mandatory dividend as “Proposed additional dividend distribution” in shareholders' equity.

An additional dividend to the minimum mandatory dividend sets out in a management proposal made before the reporting date should be maintained in shareholders’ equity in a specific account called “additional proposed dividend”. This fact should be mentioned in subsequent events if the proposition is made after the reporting date and before the issuance of the financial statements.

4.18 Impairment

4.18.1 Non-derivative financial assets

The Company and its subsidiaries recognizes provisions for expected credit losses on financial assets measured at amortized cost;

The Company and its subsidiaries measures the provision for loss at an amount equal to the expected credit loss for the entire life, except for the items described below, which are measured as expected credit loss for 12 months:

- Debt securities with low credit risk at the reporting date; and
- Other debt securities and bank balances for which the credit risk (i.e. the risk of default over the expected lifetime of the financial instrument) has not significantly risen since initial recognition.

The provisions for losses on trade accounts receivable and contract assets are measured at an amount equal to the expected credit loss for the instrument's entire life. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the lifetime ECL, the Company and its subsidiaries considers reasonable and supportable information that is material and available without excessive cost or effort. This includes quantitative and qualitative information and analyses based on the Company's historic experience in credit evaluation and forward-looking information.

The Company and its subsidiaries conducted a study that projects the time in which the credit risk of a financial asset increases significantly if it is overdue. See note 33.5 for further information.

The Company and its subsidiaries considers a financial asset to be in default when:

- It is highly unlikely that the debtor will pay all of its credit obligations to the Company and its subsidiaries without resorting to actions such as realizing the guarantee (if applicable); or
- Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period, if the instrument's expected life is shorter than 12 months).

The maximum period considered to estimate the expected credit loss is the maximum contractual period during which the Company and its subsidiaries is subject to credit risks.

4.18.2 Impaired financial assets

At each reporting date, the Company evaluates whether the financial assets recorded at amortized cost are credit impaired. A financial asset is 'impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset is impaired includes the following observable data:

- Significant financial difficulty of the issuer or borrower;
- Violation of contractual clauses, such as default or being more than 90 days overdue;
- Restructuring of an amount due to the Company on terms that it would not consider otherwise;
- The probability that the borrower will enter bankruptcy or other type of financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

As of December 31, 2020, the Company and its subsidiaries did not identify financial assets with no expectation of realization.

4.18.3 Presenting the provision for expected credit losses in the statement of financial position and statement of profit or loss

The provision for financial asset losses measured at amortized cost is deducted from the gross carrying amount of the assets.

4.18.4 Write-off

The gross carrying amount of financial asset is written off when the Company does not have a reasonable expectation to recover the financial asset in its entirety or in part. The Company does not expect any substantial recovery of the written-off amount. However, written-off financial assets can still be subject to credit enforcement to perform the Company procedures to recover the amounts due.

4.18.5 Non-financial assets

Company subsidiaries have cash-generating units (CGU), which generate cash inflows due to their continuous use. Most of these inflows are independent of the cash inflows of other assets or CGUs.

Additionally, management annually reviews the net book value of non-financial assets (except inventories, contract assets and deferred taxes) in order to identify any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is found and the net book value exceeds the recoverable amount, a provision for impairment is set up to adjust the net book value to the recoverable amount. The recoverable amount of an asset item or of a cash-generating unit is defined as the higher of value in use and net sales.

The Company and its subsidiaries concluded that there are no indications of impairment of their non-financial assets. In case any indication is identified, the recoverable amount of the asset is estimated and assessed annually.

4.19 Adjustment of assets and liabilities to present value (AVP)

Long-term monetary assets and liabilities, except the installments, are monetarily restated and therefore adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated and only recorded if considered to have a material effect on the financial statements as a whole. For purposes of recording and determining relevance, the adjustment to present value is calculated considering the contractual cash flows and the explicit and, in some cases, implicit interest rates of the respective assets and liabilities, based on the analyzes performed and the best management’s estimate.

4.20 Provisions

A provision is recognized when the Company and its subsidiaries have a legal or unofficial obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated. When the Company expects a provision to be reimbursed, in part or full, for example as a result of an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is a virtual certainty. Expenses related to any provision are presented in the income statement net of any reimbursement.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(a) Provisions for tax, civil, labor and regulatory risks

Provisions for judicial proceedings are made for which an outflow of economic benefits will probably be required to settle the contingency/obligation, and which can be reliably estimated. The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or additional exposure identified as a result of new issues or court decisions.

(b) Provisions for expected losses on impairment of accounts receivable

Company subsidiaries adopt the expected loss model for allowance for doubtful accounts (PECLD), which is measured based on the aging list of accounts receivable from electric power invoices and installment payment of billed power supply debts using a provision matrix. The provision matrix analyzes the aging list of electric power invoices and installments, and establishes the receipt risk percentages of the amounts receivable.

The provision matrix adopted results from a study on the payment behavior of electric power invoices and installment payments in the five-year historic period analyzed, which reflects the consumers' historic credit loss experience relating to electric power invoices and installment payments, and captures efficiency of the collection procedures adopted by Company subsidiaries. The subsidiaries use a provision matrix for measuring expected credit loss on trade accounts receivable on an item-by-item basis.

4.21 Statement of added value

The Company prepared Statements of Added Value (*Demonstração do Valor Adicionado - DVA*) in accordance with Technical Pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP, while consisting of supplementary financial information under IFRS.

4.22 Main changes in accounting policies

4.22.1 Accounting policies applicable from January 1, 2020

(a) Amendments to CPC 38, CPC 40 (R1) and CPC 48: Benchmark Interest Rate Reform

The amendments to CPC 38, CPC 40 (R1) and CPC 48 provide exemptions that apply to all hedging relationships directly impacted by the benchmark interest rate reform. A hedging relationship is directly impacted if the reform gives rise to uncertainties on the period or amount of cash flows based on the benchmark interest rate to which the hedged item or hedging instrument is subject. These amendments have no impact on the Group's individual and consolidated financial statements, since the Group has no interest rate hedging relationships.

(b) Amendments to CPC 06 (R2): Covid-19-Related Rent Concessions granted to lessees in lease agreements

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification.

This amendment had no impact on the financial statements of the Company and its subsidiaries.

(c) Amendments to IFRS 3/CPC 15: Business combinations

The amendments to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output.

Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

This amendment had no impact on the financial statements of the Company and its subsidiaries.

(d) Amendments to IAS 1/ CPC 26: Presentation of Financial Statements and IAS 8/ CPC 23: Accounting Policies, Changes in Estimates and Correction of Errors

In October 2018, the IASB provided a new definition of material and amended IAS 1 and IAS 8, which came into effect on January 01, 2020, stating that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

This amendment had no impact on the financial statements of the Company and its subsidiaries.

(e) Amendment to CPC 00 (R2) – Conceptual Framework for Financial Reporting

The reviewed pronouncement provides updated definitions and criteria for recognition of assets and liabilities and clarifies important concepts.

This amendment had no impact on the financial statements of the Company and its subsidiaries.

4.23 New standards and interpretations not yet in effect

New and amended standards and interpretations issued but not yet in effect until the date of issue of Company financial statements are described below. The Company and its subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they come into effect.

(a) Onerous Contracts – costs to fulfill a contract (amendments to CPC25/IAS37)

The amendments specify which costs an entity must include to determine the costs of complying with a contract in order to assess whether such contract is onerous. These amendments apply to annual periods beginning on or after January 01, 2022 for contracts in force at the date in which the amendments are first applied. At first-time application date, the cumulative effect of application is recognized as an adjustment to the opening balance of retained earnings/(accumulated losses) or other equity components, as appropriate. Comparative balances are not restated.

(b) IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts (not yet issued by the CPC in Brasil, but which will be referred to as CPC 50 – Insurance Contracts, and will replace CPC 11 – Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. As soon as it becomes effective, IFRS 17 (CPC 50) will replace IFRS 4 – Insurance Contracts (CPC 11) issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and reinsurance), irrespective of the type of entity that issues these contracts, as well as certain guarantees and financial instruments with discretionary participation features. This standard does not apply to the Company and its subsidiaries.

(c) Amendments to IAS 1: Classification of liabilities into current or noncurrent

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with CPC 26, in order to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. These amendments are effective for annual periods beginning on or after January 1, 2023 and should be applied retrospectively.

(d) Other standards

The following new and amended standards are not expected to have a significant impact on the Company’s individual and consolidated financial statements:

- Property, plant and equipment: Revenues before the intended use (amendments to CPC 27/IAS 16);
- Benchmark interest rate reform - Phase 2 (amendments to CPC48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16); and
- Reference to the Conceptual Framework (amendments to CPC 15/IFRS 3).

(In thousands of Reais)

5 Regulatory affairs

5.1 Tariff flags

Normative Resolution 547 of April 16, 2013 created a tariff tier system effective from January 1, 2015 for the purpose of passing on to consumers the additional costs of electricity generated by thermal power stations, electricity purchased on the spot market, system service charges and hydrological risk.

The tariff regulation procedure – PRORET, Submodule 6.8- Tariff Flags aims at establishing definitions, methodologies and procedures for applying the tariff flags. Monthly financial transfer amounts of the Flags Account are calculated based on the net P&L of revenues and costs of distribution companies, using the monthly status identified. The CCRBT (Conta Centralizadora dos Recursos de Bandeiras Tarifárias) Credit Companies have, as a pass-through, received a portion of this surplus, in proportion to their cost not covered by their own resources. This amendment allocates, more efficiently, the resources coming from the Flag Tariffs, mitigating the cross subsidy between the distributors and prioritizing the allocation of resources in the areas of origin concession.

Finally, on an annual basis, at the end of the wet season (April), ANEEL defines the Tariff Flag amount for the following cycle, taking into consideration the forecasted variation of power costs relating to the hydrological risk of hydropower plants, generation by thermo-power sources, exposure to settlement prices in the short-term market and sector-related charges (System Service Charges – ESS and Reserve Energy Charges), which affect the electric power distribution agents connected to the Brazilian National Interconnected System (SIN).

There are currently four rate tiers: Red – Tier 1, with a rate increase of R$ 0.04/kWh; Red – Tier 2, with a rate increase of R$ 0.06/kWh; Yellow, with a rate increase of R$ 0.01/kWh and Green, with no rate increase.

Revenues are recognized monthly, on an accrual basis, as mentioned in the notes to accounts receivable and revenue, and refer to the total billed based on the tariff flag, according to the month’s agreement, and to amounts receivable or to be transferred to CCBRT.

The following rate tiers were applied in 2020 and 2019:

	Flag Color	
	2020	**2019**
January	Yellow	Green
February	Green	Green
March	Green	Green
April	Green	Green
May	Green	Yellow
June	Green	Green
July	Green	Yellow
August	Green	Red Level 1
September	Green	Red Level 1
October	Green	Yellow
November	Green	Red Level 1
December	Red Level 2	Yellow

We should stress that Decision 1511, of June 01, 2020, suspended, in an exceptional and temporary manner, the systematic application of the Tariff Flag system, provided for in Submodule 6.8 of Proret; and activated the green flag, until referred to date, in accordance with the period stipulated in Decree 10350/2020, for covering the costs of the electric sector with funds from the Covid account.

On December 01, 2020, Decision 1511/2020 was revoked by Decision 3364/2020, which reactivated the Tariff Flag system as from December 01, 2020.

The direct subsidiaries Equatorial Piauí and Equatorial Alagoas and the indirect subsidiaries Equatorial Maranhão and Equatorial Pará recognized revenue of R$ 232,551 for the year ended December 31, 2020 (R$ 318,976 at December 31, 2019) from rate-tier surcharges, of which R$ 92,307 was transferred to the Rate Tier Pooling Account - CCRBT (R$ 36,190 at December 31, 2019) created under Decree 8.401/2015 and managed by the Electric Power Trading Chamber - CCEE.

5.2 Decree No. 9.642 / 2018 - Gradual elimination of subsidies

Decree No. 9,642, dated December 27, 2018, amended Article 1 of Decree No. 7,891 / 2013, which deals with the application of tariff discounts, in order to prevent the cumulativeness of discounts on electric energy distribution tariffs, in a manner (this situation only applied to consumers served under low tension like rural, with irrigation activity or aquaculture performed during special hours). The decree also establishes that, as from 2019, in the processes of tariff readjustment or revision of the distributors, the discounts referred to in § 2 of said article, which are those applied to consumers classified as Rural; Cooperativa de Eletrificação Rural (rural electrification cooperative); Public Service of Water, Sewage and Sanitation; and Public Irrigation Service; be reduced by 20% per annum until the rate is zero. The discounts currently granted to consumers are financed by the CDE, which passes on to the distributors the number of subsidies granted. With the reduction of these discounts, the distributors gradually cease to receive CDE funds and start to receive directly from these consumers.

5.3 Over-purchased electricity

Under the applicable Regulatory Framework, electric utilities must procure in advance 100% of the capacity needed for power supply to their customers through ANEEL-regulated auctions. These auctions are organized with support from CCEE seven years in advance of the start of contract power supply. The possibility of procuring capacity up to seven years in advance was introduced by Decree 9,143 of August 22, 2017.

Under the regulations applicable to the industry, in particular Decree 5.163/2004, if contract capacity does not exceed a utility's total requirement by more than 5%, the costs incurred with the surplus capacity are fully passed on to customers. However, when a utility exceeds this limit and does so voluntarily, it incurs the difference between the purchase price and the selling price for the surplus on the spot market.

Decree 9,143 of August 22, 2017 reduced the minimum capacity coverage for utility demand from 95% to 90% of guaranteed capacity quotas for hydroelectric plants whose concessions were either extended or awarded under Act 12.783/2013 for a term commencing as from September 1, 2017.

In the financial year ended December 31, 2020 and 2019, the direct subsidiaries Equatorial Piauí and Equatorial Alagoas and the indirect subsidiaries Equatorial Maranhão and Equatorial Pará used the available mechanisms to manage subcontracting and remained within the aforementioned limits.

5.4 Energy Development Account – CDE

In 2013 and 2014 electric utilities experienced significant pressure on profits and cash expenditure as a result of a significant increase in electricity costs resulting from: (i) spot market price increases due to a reduction in contract supply following the non-renewal of certain generation concessions; and (ii) unfavorable hydrologic conditions resulting in increased dispatching of higher-cost thermal power stations. In response, the Federal Government, among other measures, permitted electric utilities to use Energy Development Account (CDE) funds to neutralize these effects. Because CDE funds were insufficient to neutralize utilities' exposure, in April 2014 Decree No. 8,221 created a Regulated Contracting Environment Account (ACR Account) to standardize CCEE's bank on lending procedures.

CCEE has repaid these loans out of installments paid by each utility as part of its obligations to CCEE. The monthly installments payable by each utility are established by ANEEL and are not in proportion to the amount on lent to that utility by CCEE. In addition, the Company's subsidiaries have not provided any direct or indirect guarantees for these loans.

5.5 Annual Tariff Adjustment - Equatorial Pará

In a public Executive Board meeting, ANEEL approved the 2020 Annual Tariff Adjustment of Equatorial Pará, to be applied as from August 07, 2020, as per Approval Resolution No. 2750/2020. Considering the financial components included in the Company's tariffs, the average impact to be noticed by the consumer in this tariff process will be an increase of 2.68% in energy bills.

5.6 Annual Tariff Adjustment - Equatorial Piauí

On October 29, 2019, Equatorial Piauí filed a Request for Reconsideration relating to Decision No. 2830/2019, contesting the refusal of the Extraordinary Tariff Review (RTE) request in 2019. This appeal awaits a final administrative decision within the jurisdiction of the Executive Board.

On November 26, 2019, the Annual Tariff Adjustment of Equatorial Piauí was approved, effective as from December 02, 2019, which would have an average impact to be noticed by consumers of -7.16%. This decision was published by means of Approval Resolution 2644/2019.

However, the tariffs deriving from the 2019 Tariff Adjustment were not applied due to the decision issued on December 03, 2019 by the Federal Regional Court of the 1st Chapter, in the records of Interlocutory Appeal No. 0002459-43.2019.4.01.0000, which informed the suspension of the effects of Decision No. 2830/2019, and Approval Resolution No. 2644/2019, until the advent of a decision by ANEEL on the request for reconsideration lodged against Decision No. 2830/2019.

On September 02, 2020, ANEEL published Decision 2541/2020 partially accepting the administrative request filed by EQTL PI and set out the immediate application of the tariffs established in Approval Resolution 2644/2019, which authorized the 2019 Annual Tariff Adjustment. In addition, ANEEL established that the negative financial components deriving from non-application of the tariffs defined by Approval Resolution 2644/2019, as from December 02, 2019, must be included in the next tariff process of Equatorial Piauí.

Finally, on November 24, 2020, the Annual Tariff Adjustment of Equatorial Piauí was approved, effective as from December 02, 2020, which had an average impact to be noticed by consumers of +3.48%, in accordance with Approval Resolution 2811/2020.

5.7 Annual Tariff Adjustment - Equatorial Alagoas

The tariffs in effect until May 02, 2020 refer to the 2019 Annual Tariff Adjustment (“RTA”), approved by ANEEL by means of Approval Resolution (“REH”) 2540/2019, effective from May 03, 2019 to May 02, 2020.

On April 28, 2020, the Extraordinary Tariff Review of Equatorial Alagoas was approved, effective as from May 03, 2020, which would have an average impact to be noticed by consumers of +9.85%. This decision was published by means of Approval Resolution 2684/2020.

However, due to Covid-19 pandemic, article 11 of REH 2684/2020 suspended the application of the tariffs established in aforementioned REH until June 30, 2020, and the tariffs approved in REH 2540/2019 remained in effect.

On July 01, 2020, the tariffs published in REH 2684/2020 came into effect.

Finally, the positive financial component deriving from non-application of the tariffs set out by REH 2684/2020, from May 03, 2020 to June 30, 2020, will be included in the 2021 Annual Tariff Adjustment.

5.8 Annual Tariff Adjustment - Equatorial Maranhão

In a public Executive Board meeting, ANEEL approved the 2020 Annual Tariff Adjustment of Equatorial Maranhão, to be applied as from August 25, 2020, as per Approval Resolution No. 2750/2020. Considering the financial components included in the Company’s tariffs, the average impact to be noticed by the consumer in this tariff process will be a decrease of 0.01% in energy bills.

(In thousands of Reais)

6 Cash and cash equivalents

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash and bank deposits	**912**	1,103	**73,807**	184,082
Cash equivalents				
Bank Deposit Certificates - CDB	**1,316**	251,292	**818,964**	497,570
Securities held under repurchase agreements	**-**	-	**635,873**	56,815
Open investment fund (b)	**-**	-	**7,192**	94,796
(Exclusive) investment fund (a)				
Investment fund shares	**24,183**	-	**87,407**	-
Securities held under repurchase agreements	**139,158**	230,858	**596,303**	867,234
Bank Deposit Certificates – CDB	-	47,447	-	75,707
Financial bills	-	5,601	-	8,937
Sovereign debt securities	-	12	-	62
	164,657	535,210	**2,145,739**	1,601,121
Total	**165,569**	536,313	**2,219,546**	1,785,203

(a) Refers to Investment Funds, Bank Deposit Certificates and Repo Operations - CDBs, which are highly liquid and have low credit risk. Such investments are available for use in the Company's and its subsidiaries operations, readily convertible into a known amount of cash and are subject to an insignificant risk of change in value, that is, they are financial assets with immediate liquidity. Additionally, exclusive funds are investments in fund shares (FIC) managed by the financial institution, which allocate their resources in shares of several low-risk, highly-liquid open-ended funds with negligible change in yields and no significant participation and management in the equity of the invested fund, that is, without exceeding 10% of equity. Therefore, these investments are classified as cash and cash equivalents, in accordance with CPC 03 (R2)/IAS 7- Cash Flow Statements; and

(b) Open-ended investment funds are composed of assets such as repurchase agreements and government securities. These funds are used in the Company's short-term financial flow and do not represent medium or long-term investments or are subject to significant changes in value, being readily convertible into cash and cash equivalents as per CPC 03 (R2)/ IAS 7.

The global portfolio earns interest pursuant to Interbank Deposit Certificate (CDI) variation, and hence the portfolio' average profitability for the year ended December 31, 2020 is equal to 87.05% of the variation of CDI (99.20% of CDI at December 31, 2019).

(In thousands of Reais)

7 Market securities

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current				
Bank Deposit Certificates - CDB	**-**	**-**	**5,381**	**-**
(Exclusive) investment funds				
Investment fund shares	**524,131**	532,421	**4,683,416**	2,835,803
Securities held under repurchase agreements	-	-	-	240,182
Sovereign debt securities	**118,550**	246,130	**507,996**	764,864
Financial bills	-	85,798	-	164,822
Debentures	-	6,892	-	11,007
Bank Deposit Certificates - CDB	-	-	-	4,219
Checks not cleared	-	**-**	**(1,581)**	(1,644)
Open funds	**318**	315	**202,071**	24,464
Total current	**642,999**	871,556	**5,397,283**	4,043,717
Noncurrent				
Market securities (a)	-	18,129	**119,576**	126,756
Total Noncurrent	-	18,129	**119,576**	126,756
Total	**642,999**	889,685	**5,516,859**	4,170,473

The Investment Funds represent operations in top-tier financial institutions and are composed of several assets aiming at better profitability, such as: government bonds, repo operations, debentures, CDBs, subject to significant risk of change in value and are not readily convertible into a known cash amount. Additionally, exclusive funds are investments in fund shares (FIC) managed by the financial institution, which allocate their resources in shares of several open-end funds, subject to change in yields with no significant participation and management in the equity of the invested fund, that is, without exceeding 10% of equity. Therefore, the Company and its subsidiaries do not have direct management and control over exposure, rights, variable returns arising from their involvement and the ability to use their power to affect the amount of the returns on these investments, in accordance with CPC 36 (R3) / IFRS 10 - Consolidated Statements.

The global portfolio earns interest pursuant to Interbank Deposit Certificate (CDI) variation, and hence the portfolio' average profitability for the year ended December 31, 2020 is equal to 92.30% of CDI (99.45% of CDI at December 31, 2019).

(a) Denotes restricted investments securing loans and financing invested in government securities and funds denominated in government securities.

(In thousands of Reais)

8 Trade accounts receivable (Consolidated)

8.1 Composition of balances

	2020	2019
Residential	**1,999,365**	1,794,008
Industrial	**256,541**	234,839
Commercial	**546,822**	561,702
Rural	**212,937**	181,158
Government	**153,545**	199,868
Public lighting	**112,908**	91,004
Public utility	**115,374**	106,836
Trade accounts receivable, billed	**3,397,492**	3,169,415
Trade accounts receivable, unbilled (a)	**440,274**	452,958
Residential	**1,542,059**	1,456,351
Industrial	**130,699**	116,712
Commercial	**410,473**	377,708
Rural	**81,781**	76,481
Government	**326,934**	332,774
Public lighting	**91,301**	94,210
Public utility	**117,089**	122,530
Installment payment (b)	**2,700,336**	2,576,766
Low-income and "viva luz" consumers (c)	**114,314**	88,764
(-) AVP (adjustment to present value) - Accounts receivable – financing (d)	**(47,249)**	(56,747)
Other	**471,855**	202,595
	538,920	234,612
Total	**7,077,022**	6,433,751
(-) Provision for impairment of accounts receivable	**(2,520,178)**	(2,047,396)
Total trade accounts receivable	**4,556,844**	4,386,355
Current	**3,589,317**	3,503,757
Noncurrent	**967,527**	882,598

(a) Refers to electricity that is distributed but not billed to consumers, with invoicing based on metering cycles, which in many cases exceed the bookkeeping closing year;

(b) The installment payment policy for electricity bills by subsidiaries may extend over 48 months and includes a 1% p.m. interest rate. Previously agreed on installment payments in recently acquired subsidiaries, with no interest or at low rates, adjustments were made to present value. The installment payment balance is classified in current and noncurrent assets and presented net of expected impairment losses, amounting to R$ 2,186,047 and R$ 334,131, respectively;

(c) By means of Laws Nos.12212 and 10438, the Federal Government instituted a low-income social rate with a view to contributing to moderate electricity rates for end consumers in the residential low-income sub-class;

(d) Adjustment to present value on the balance of long-term installment payments using a 9.1% p.a. interest rate; and

(In thousands of Reais)

(e) As at December 31, 2020, this refers mainly to power sale and purchase transaction in the Free Energy Market of indirect subsidiary Solenergias Comercializadora de Energia S.A. amounting to R$ 151,374.

8.2 Expected losses on impairment of accounts receivable

	2019	Provisions/ additions(a)	Reversals (write-offs) (a)	2020
Trade accounts receivable, billed	1,003,427	**438,189**	**(123,365)**	**1,318,251**
Installment payment	968,535	**250,871**	**(92,985)**	**1,126,421**
Trade accounts receivable, unbilled	23,605	**43,280**	**(47,937)**	**18,948**
Others	51,829	**184,052**	**(179,323)**	**56,558**
Total	2,047,396	**916,392**	**(443,610)**	**2,520,178**

	2018	Acquisition (b)	Provisions/ additions	Reversals (write-offs)	2019
Trade accounts receivable, billed	717,164	**178,511**	**382,463**	**(274,711)**	**1,003,427**
Installment payment	708,069	**140,740**	**324,821**	**(205,095)**	**968,535**
Trade receivables from uninvoiced consumers	-	**-**	**23,605**	**-**	**23,605**
Others	49,505	**12,400**	**38,189**	**(48,265)**	**51,829**
Total	1,474,738	**331,651**	**769,078**	**(528,071)**	**2,047,396**

(a) The net effect in the period ended December 31, 2020 related to the provision for and reversal of impairment of accounts receivable was R$ 472,782. In this process, a reversal of losses of these customers of written-off bills was also recognized in the amount of R$ 167,646, in addition to the aforementioned impacts, a reversal of other receivables was recorded in the amount of R$ 33,355 generating a net impact on P&L for the period of R$ 271,781, of which R$ 268,177 on the operating income (loss) and R$ 3,604 arising from late-payment interest recorded in financial income (costs); and

(b) Balances of Equatorial Alagoas as of March 31, 2019, when the Company acquired its share control.

8.3 Trade accounts receivable, billed

	2020			
	Outstanding balances	**Up to 90 days overdue**	**More than 90 days overdue**	**Total**
Residential	**371,366**	**425,309**	**1,202,690**	**1,999,365**
Industrial	**87,741**	**11,316**	**157,484**	**256,541**
Commercial	**237,656**	**61,324**	**247,842**	**546,822**
Rural	**41,986**	**30,241**	**140,710**	**212,937**
Government	**75,521**	**32,248**	**45,776**	**153,545**
Public lighting	**70,589**	**8,329**	**33,990**	**112,908**
Public utility	**49,543**	**32,813**	**33,018**	**115,374**
Total	**934,402**	**601,580**	**1,861,510**	**3,397,492**

	2019			
	Outstanding balances	**Up to 90 days overdue**	**More than 90 days overdue**	**Total**
Residential	395,779	433,383	964,846	1,794,008
Industrial	85,679	19,413	129,747	234,839
Commercial	252,819	80,921	227,962	561,702
Rural	38,751	29,939	112,468	181,158
Government	102,151	59,509	38,208	199,868
Public lighting	58,234	7,195	25,575	91,004
Public utility	50,966	31,872	23,998	106,836
Total	984,379	662,232	1,522,804	3,169,415

(In thousands of Reais)

8.4 Installments payment

	2020			
	Outstanding balances	**Up to 90 days overdue**	**More than 90 days overdue**	**Total**
Residential	**962,731**	**74,836**	**504,492**	**1,542,059**
Industrial	**76,531**	**2,516**	**51,652**	**130,699**
Commercial	**312,336**	**12,173**	**85,964**	**410,473**
Rural	**43,036**	**4,207**	**34,538**	**81,781**
Government	**282,424**	**7,829**	**36,681**	**326,934**
Public lighting	**83,638**	**1,496**	**6,167**	**91,301**
Public utility	**109,030**	**3,363**	**4,696**	**117,089**
Total	**1,869,726**	**106,420**	**724,190**	**2,700,336**

	2019			
	Outstanding balances	**Up to 90 days overdue**	**More than 90 days overdue**	**Total**
Residential	1,025,455	75,937	354,959	1,456,351
Industrial	80,666	2,484	33,562	116,712
Commercial	303,027	10,808	63,873	377,708
Rural	46,973	4,365	25,143	76,481
Government	292,136	7,202	33,436	332,774
Public lighting	91,178	1,580	1,452	94,210
Public utility	112,597	2,892	7,041	122,530
Total	1,952,032	105,268	519,466	2,576,766

Aging list of installments payment at December 31, 2020

	2020				
	2020	**2021**	**2022**	**2022 onwards**	**Total**
Residential	**74,902**	**337,237**	**244,977**	**305,615**	**962,731**
Industrial	**2,059**	**54,786**	**8,425**	**11,261**	**76,531**
Commercial	**16,255**	**75,104**	**45,167**	**175,810**	**312,336**
Rural	**4,392**	**17,661**	**10,482**	**10,501**	**43,036**
Government	**12,576**	**32,052**	**34,757**	**203,039**	**282,424**
Public lighting	**6,452**	**11,811**	**11,909**	**53,466**	**83,638**
Public utility	**1,665**	**27,090**	**22,340**	**57,935**	**109,030**
Total	**118,301**	**555,741**	**378,057**	**817,627**	**1,869,726**

Aging list of financing payments more than 90 days overdue as of December 31, 2020

	2020					
	91 to 360 days overdue	**361 to 720 days overdue**	**721 to 1080 days overdue**	**1081 to 1530 days overdue**	**More than 1530 days overdue**	**Total**
Residential	**143,702**	**134,363**	**84,865**	**93,580**	**47,982**	**504,492**
Industrial	**4,849**	**5,008**	**7,466**	**23,225**	**11,104**	**51,652**
Commercial	**17,284**	**16,619**	**13,299**	**24,412**	**14,350**	**85,964**
Rural	**9,262**	**9,423**	**6,169**	**6,803**	**2,881**	**34,538**
Government	**16,391**	**4,098**	**3,185**	**12,266**	**741**	**36,681**
Public lighting	**4,764**	**542**	**357**	**236**	**268**	**6,167**
Public utility	**3,123**	**628**	**298**	**612**	**35**	**4,696**
Total	**199,375**	**170,681**	**115,639**	**161,134**	**77,361**	**724,190**

(In thousands of Reais)

9 "A Component" revenue receivable (returnable) and other financial items (Consolidated)

	2019	Setup	Write-offs	Adjustment	Amortization	2020
A Component						
CDE - Energy Development Account (a)	(27,155)	**43,202**	**(9,607)**	**(583)**	**(7,569)**	**(1,712)**
PROINFA - Alternative Source Incentive Program	13,539	**(22,860)**	**(661)**	**(267)**	**(2,368)**	**(12,617)**
National Grid (b)	76,875	**176,641**	**(26,462)**	**2,178**	**(38,204)**	**191,028**
Acquisition of energy CVA (c)	948,868	**431,054**	**(99,057)**	**18,160**	**(659,695)**	**639,330**
ESS - System service charges (d)	(198,435)	**(48,988)**	**10,783**	**(5,906)**	**188,425**	**(54,121)**
(-) Covid Account Transfers –A Component (h)	-	**(683,686)**	**-**	**(4,542)**	**83,143**	**(605,085)**
	813,692	**(104,637)**	**(125,004)**	**9,040**	**(436,268)**	**156,823**
Financial items						
Over-purchased electricity	(42,835)	**26,400**	**3,665**	**(1,563)**	**(2,873)**	**(17,206)**
Neutrality	12,411	**21,288**	**(32,219)**	**457**	**1,808**	**3,745**
Excess demand and surplus reactive energy (e)	(312,860)	**(3,329)**	**(630)**	**871**	**66,166**	**(249,782)**
Sectorial financial asset (Global Reversion Reserve – RGR)	-	**-**	**-**	**6,164**	**-**	**6,164**
Creation of RGR (f)	583,809	**21,697**	**-**	**61,632**	**-**	**667,138**
Bilateral agreement	11,466	**10,179**	**134,695**	**530**	**(75,158)**	**81,712**
Hydrologic risk	(215,498)	**(49,576)**	**(2,603)**	**(3,980)**	**56,247**	**(215,410)**
(-) Covid Account Transfers –A Component (h)	-	**(453,076)**	**(1,081)**	**(1,660)**	**86,003**	**(369,814)**
Other (g)	104,054	**(61,599)**	**155,165**	**228**	**557**	**198,405**
	140,547	**(488,016)**	**256,992**	**62,679**	**132,750**	**104,952**
Total	954,239	**(592,653)**	**131,988**	**71,719**	**(303,518)**	**261,775**
Net effect between asset (liability) balances						
Net current	221,386					**(753,702)**
Net noncurrent	732,853					**1,015,477**

	2018	Acquisition (i)	Setup	Write-offs	Effect on tariff readjustment	Reclassification	Adjustment	Amortization	2019
A Component									
CDE - Energy Development Account	31,871	698	(62,066)	(496)	(1,482)	-	52	4,268	(27,155)
PROINFA - Alternative Source Incentive Program	3,099	1,638	13,275	721	49	2,927	717	(8,887)	13,539
National Grid	79,261	15,929	73,280	(8,582)	811	-	3,875	(87,699)	76,875
Acquisition of energy CVA	1,194,866	130,343	634,647	20,230	15,224	22,642	60,180	(1,129,264)	948,868
ESS - System service charges	(341,753)	(66,423)	(102,805)	30,135	(708)	-	(17,171)	300,290	(198,435)
	967,344	82,185	556,331	42,008	13,894	25,569	47,653	(921,292)	813,692
Financial items						-			
Over-purchased electricity	(111,469)	(101,455)	(14,839)	44,299	(2,524)	-	2,735	140,418	(42,835)
Neutrality	61,913	11,879	(12,202)	(53,349)	3,998	-	1,637	(1,465)	12,411
Violation of continuity limit Equatorial Maranhão	86	(24)	(27)	(28)	(49)	9	7	114	88
Excess demand and surplus reactive energy	(217,232)	(7,332)	(115,424)	3,221	-	-	(19,243)	43,150	(312,860)
Sectorial financial asset (Global Reversion Reserve – RGR)	-	1,168,211	(634,178)	-	-	-	49,776	-	583,809
Other	(3,545)	(22,153)	(80,166)	19,578	7,002	(25,578)	(7,887)	12,683	(100,066)
	(270,247)	1,049,126	(856,836)	13,721	8,427	(25,569)	27,025	194,900	140,547
Total	697,097	1,131,311	(300,505)	55,729	22,321	-	74,678	(726,392)	954,239
Net effect between asset (liability) balances									
Net current	464,505								221,386
Net noncurrent	232,592								732,853

(a) The balance of the CVA (Account to Control Recoverable Variations in A Component) of the CDE was affected by the setup of CVA - R$ 43,202, the amount of which was positive due to the increase in cost tariffs being higher than current coverage, generating an asset setup;

(b) The balance of CVA (compensation for changes in the amount of items in "A Component") of the Basic Grid was affected by the establishment of CVA of R$ 176,641, the amount of which was positive due to the increase in cost rates being higher than the current coverage rates , generating a positive (asset) setup; another factor that contributed to the reduction of the balance was the amortization of the amount received referring to the adjustment that occurred in August 2019, which totaled R$ 26,033 in the year ended December 31, 2020;

(c) The balance of the energy CVA (compensation for changes in "A Component" items) was impacted by the increase in operating costs from the effect of availability and financial exposure, resulting from the costs passed on to the distributors to serve the market, generating a positive CVA in the period. Regarding energy contracts, the CVA established in 2020 was negative (liability), which reflects a lower average payment price in relation to tariff coverage. Another factor that contributed to the reduction of the balance was the amortization of the amount received referring to the adjustment occurred in August 2019 at Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas distributors, which in the year ended December 31, 2020, corresponded to R$ 174,815, R$ 281,783, R$ 100,519 e R$ 102,578, respectively, totaling R$ 659,695;

(d) System Service Charge (ESS) is related to the payment of dispatched thermal plants that operate with the purchase price above the Settlement Price for Differences (PLD). The measure to dispatch these thermal plants is taken by National System Operator (ONS) to ensure the energy security of the system. In the tariff readjustment, which took place in May 2019, the ESS forecast value granted by ANEEL was higher than the costs actually paid, which in the tariff moderation procedure results in the recomposition via regulatory liability;

(e) Normative Resolution No. 414/2010 establishes the obligation to collect demands that exceed by more than 5% the amounts previously contracted per connection point, this being called "Demand Overcoming". In addition, it also determines that a charge be applied to the amounts of reactive energy and reactive power demand that violate the limit that results in a power factor equal to 0.92, being known as "Reactive Surplus". The treatment of these additional revenues earned by the distributors is calculated according to sub-module 2.1 of the Tariff Regulation Procedure - PRORET, where it also defines: The amounts billed for exceeding demand and excess reactive power, from the base date of the Valuation Report of the 4th Periodic Tariff Review - 4th RTP, up to the Reference Date of Contractual Amendment - DRAC must be recorded in a specific sub-account. , not subject to amortization, when, at the 5th RTP, the balance accounted for will be subtracted from "B Component". In this case, the Company's distributors:

Equatorial Maranhão: This process will take place over fiscal year 2021;
Equatorial Piauí: The tariff process to be approved in December/20 will be considered the revenue invoiced of UD and ER from December/2019 to November/2020;
Equatorial Alagoas: The tariff process approved in May/20 considered the revenue invoiced of UD and ER from May/2019 to April/2020; and
Equatorial Pará: This process took place during fiscal year 2019 and will occur again in 2023, when the next tariff review will take place.

(f) This CVA balance mostly stems from subsidiary Equatorial Alagoas, and refers to the loan approved by ANEEL as RGR (Global Reversion Reserve), transferred through CCEE. The loan was approved due to the need for extraordinary resources during the period in which the subsidiary was considered by ANEEL to be a Designated Distributor, acting as a service provider until its privatization. The transfer was approved on February 12, 2019, complying with the provisions of MME Administrative Ruling No. 510 of December 20, 2018. In the year ended December 2020, the gross amount of RGR sectorial assets corresponds to R$ 1,273,538, which is presented net of the adjustment to present value in the amount of R$ 660.554. The adjustment to present value was recorded due to the change in the contractual conditions defined in the new concession contract for the debt corresponding to the sectorial financial asset;

(g) At December 31, 2020, the balance of other regulatory assets and liabilities comprises: i) the amount of R$ 164,210 referring to the deferral of financial items from the May 2020 tariff review of Equatorial Alagoas, so as to reduce the impact on tariffs (deferrals of the following financial items were considered: CVA in processing - transportation, neutrality of A Component, CVA in processing charges and CVA in energy processing); ii) financial item set up due to the Adjustment Postponement of R$ 23,419 from Equatorial Alagoas and R$ 102,654 from Equatorial Piauí; iii) forecast amount of the hydrological risk to be amortized in the 2020 adjustment (R$ 50,028) of Equatorial Alagoas and R$ 61,840 of Equatorial Piauí, associated with the Reversal of the Hydrological Risk to be amortized until July 2021 R$ (1,056) from Equatorial Pará and (R$ 102,758) from Equatorial Maranhão; iv) other financial items referring to: financial item for the recalculation of B Component 2019 (R$ 64) from Equatorial Alagoas; and v) CUSD adjustment R$ 293 of subsidiaries, financial guarantees R$ 3,892 of subsidiaries, bilateral agreements R$ 81,674 of subsidiaries and transfer of DIC/FIC compensation (R$ 51) of subsidiaries; and

(h) These refer to transfers from Covid Account, according to Decisions Nos. 2177/2020, 2353/2020 and 2640/2020 published by ANEEL, primarily represented by: (i) R$ 683,686 ref. write-off of the sectorial financial asset – A Component ; (ii) R$ 453,076 related to the setup of sectorial financial liabilities (over-contracting and neutrality); and (iii) R$ 169,146 amortized (A component and financial items) through the tariff approved in the Annual Tariff Adjustment 2020 of the distributors controlled by the Company.

(i) Balances from the subsidiary Equatorial Alagoas on March 31, 2019, the date on which the Company obtained the controlling interest in the subsidiary.

On an annual basis, in August, ANEEL calculates a new rate adjustment index for the subsidiaries Equatorial Maranhão and Equatorial Pará, adjusting their ‘A Component’ expenses (non-manageable costs, such as energy purchases, sector charges and transmission charges).

Through Approval Resolution No. 2758 of August 25, 2020, ANEEL carried out the annual tariff adjustment of subsidiary Equatorial Maranhão, and the new tariffs came into effect on August 28, 2020, effective until August 27, 2021. Through Approval Resolution No. 2750, of August 06, 2020, ANEEL carried the annual tariff adjustment of subsidiary Equatorial Pará, and the new tariffs came into effect on August 07, 2020, effective until August 06, 2021.

In this process, the CVAs accounted for by the subsidiaries are validated, and the differences between the amount computed by Equatorial Maranhão and Equatorial Pará and the amount granted by ANEEL in the same period must be written off. The calculation of differences between these amounts is referred to as adjustment effect in the subsidiaries.

The tariffs applied by the subsidiaries, established by Approval Resolution No. 2758, of August 25, 2020, were adjusted, on average, -0.01% in Equatorial Maranhão, 2.68% in Equatorial Pará as per Approval Resolution No. 2750, of August 06, 2020, corresponding to the average tariff effect to be notices by consumers/users/agents supplied by these subsidiaries.

For subsidiary Equatorial Piauí, in December 2020 ANEEL calculated the Company’s extraordinary tariff adjustment index, adjusting its A Component expenses (non-manageable costs, such as energy purchase, sector charges, transmission charges) and updating B Component (manageable costs), with the average effect of adjustments of +3.48% (three point forty eight percent). Approval Resolution No. 2,811 of November 24, 2020 ratified the new tariffs that came into force on December 2, 2020, effective through December 1, 2021

By way of Approval Resolution No. 2,684 of April 28, 2020, ANEEL approves the result of the Extraordinary Tariff Review - RTE of subsidiary Equatorial Alagoas, the Energy Tariffs - TE and the Distribution Grid Tariffs - TUSD. This corresponds to the average tariff effect to be perceived by consumers of 9.85% (nine point eighty-five percent), where the new tariffs will be in effect in the period from May 3, 2020 to May 2, 2021.

However, according to article 11 of Approval Resolution No 2684 of April 28, 2020, the application of the provisions and tables in the Annexes to this Resolution, resulting from the Extraordinary Tariff Review process of Equatorial Alagoas 2020, was suspended until June 30, 2020. Paragraph 1 - As of May 3, 2020, the concessionaire will continue to apply the current rates set out in Tables 1 and 2 of Approval Resolution No. 2540 of April 30, 2019. As of July 1, 2020, the concessionaire began to apply the rates contained in Tables 1 and 2 of Approval Resolution No. 2684 of April 28, 2020.

(In thousands of Reais)

10 Recoverable taxes and contributions (Consolidated)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current				
ICMS recoverable (CIAP) (a)	-	-	**111,564**	95,559
INSS	-	-	**9,041**	10,806
PIS and COFINS	**6**	2	**14,685**	67,696
PIS and COFINS recoverable (ICMS) (b)	-	-	**1,087,311**	75,999
Other	**28**	860	**18,372**	6,006
Total current	**34**	862	**1,240,973**	256,066

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Noncurrent				
ICMS recoverable (CIAP) (a)	**-**	12	**157,542**	139,080
PIS and COFINS recoverable (ICMS) (b)	**-**	-	**804,414**	1,467,367
Other	**-**	-	**22,527**	26,990
Total noncurrent	**-**	12	**984,483**	1,633,437
Total recoverable taxes and contributions	**34**	874	**2,225,456**	1,889,503

(a) The Company and its subsidiaries have taxes to be recovered referring to ICMS credits on the acquisition of materials destined to operational asset, appropriated at a ratio of 1/48; and

(b) The direct subsidiaries Equatorial Piauí and Equatorial Alagoas, as well as indirect subsidiaries Equatorial Maranhão and Equatorial Pará, recognized an asset referring to PIS/COFINS recoverable R$ 400.961, R$ 200.926, R$ 551.358 e R$ 738.480 (R$ 462.531, R$ 290.234, R$ 790.601 e R$ 0 at December 31, 2019), respectively. This was based on the opinion of its legal advisors, after publication of the Decision on the Appeal to the Federal Supreme Court (STF), and supported by the final and unappealable favorable decision awarded, described in Note 26.

11 Related parties

Major asset and liability balances at December 31, 2020 and 2019, as well as the intercompany transactions that had an impact on P&L for the year, refer to transactions between the Company and its controlling entity, shareholders and related parties, key management personnel (CEO and Directors) and other related parties, in accordance with CVM Resolution No. 560, of December 11, 2008, which approved CPC 05 (R1) – Related-party Disclosures.

As of December 31, 2020, the Company has changes in related-party transactions, primarily for sharing agreements, dividends and other items, with the Companies below:

Parent Company

	2020	2019
Other receivables	**Assets**	**Assets**
Equatorial Transmissão S.A. (a)	**2,278**	2,278
Total	**2,278**	2,278

(In thousands of Reais)

	2020		2019	
In-court reorganization	**Assets**	**Effect on income (Expense)**	**Assets**	**Effect on income (Expense)**
Equatorial Pará Distribuidora de Energia S.A. (b)	**10,051**	(1,296)	9,569	(424)
Total	**10,051**	(1,296)	9,569	(424)

	2020	2019
Dividends receivable	**Assets**	**Assets**
Equatorial Transmissão S.A.	**16,170**	7,090
Equatorial Distribuição S.A.	**74,989**	41,911
55 Soluções S.A.	**19,965**	10,532
Equatorial Maranhão S.A.	**390**	390
Equatorial Pará S.A.	**261**	261
Equatorial Alagoas S.A.	**54,877**	-
Intesa	**1,161**	33,021
Geradora de Energia do Maranhão S.A.	**7,464**	5,176
Total	**175,277**	98,381

Consolidated

	2020	2019
Dividends receivable	**Assets**	**Assets**
Geradora de Energia do Maranhão S.A.	**7,463**	**5,175**
Total	**7,463**	**5,175**

	2020		2019	
Other receivables	**Assets**	**Effect on income (Revenue)**	**Assets**	**Effect on income (Revenue)**
Equatorial Energia Fundação de Previdência	**13**	**2,610**	-	-
Eletrobras	**-**	**2,559**	-	-
Equatorial Energia Fundação de Previdência	**-**	**-**	-	3,114
Geradora de Energia do Maranhão S.A.	**30**	**3,734**	-	2,345
Total	**43**	**8,903**	-	5,459

(In thousands of Reais)

Other payables	2020 Liabilities	2020 Effect on income (Expense)	2019 Liabilities	2019 Effect on income (Expense)
Fundação CEPISA de Seguridade Social	**(147)**	**(39,256)**	(1,327)	(34,592)
Equatorial Energia Fundação de Previdência	**-**	**(30)**	-	(2,699)
Fundação CEAL de Seguridade Social	**(604)**	**(1,602)**	-	-
Geradora de Energia do Maranhão S.A.			-	(4,409)
Total	**(751)**	**(40,888)**	(1,327)	(41,700)

Loans	2020 Liabilities	2020 Effect on income (Expense)	2019 Liabilities	2019 Effect on income (Expense)
Centrais Elétricas Brasileiras S.A.- Eletrobras (c)	**-**	**(20,263)**	(122,888)	(17,549)
Total	**-**	**(20,263)**	(122,888)	(17,549)

Payable under the judicial reorganization plan	2020 Liabilities	2020 Effect on income (Expense)	2019 Liabilities	2019 Effect on income (Expense)
Eletrobras (d)	**(649,956)**	**(38,998)**	(649,955)	(29,749)
Total	**(649,956)**	**(38,998)**	(649,955)	(29,749)

(a) This refers to expenses incurred in the pre-operational phase of the transmission companies;

(b) Transactions with Equatorial Pará are related to the direct or indirect acquisition and negotiation of financing as part of the in-court reorganization of the indirect subsidiary, with payments owed to the following creditors: BNDES, Banco Bradesco, Banco Itaú BBA/ Unibanco, BIC Banco, Banco Merrill Lynch and Banco Société Générale. The balance will be amortized in 10 annual, fixed and equal installments, the first maturing on September 30, 2034 and the last on September 30, 2043 and amounts derived from the human resources, administrative, and proportional sharing of the expenses incurred without the incidence of financial charges on these transactions, with an indeterminate term; as per Technical Note 15/2018-SFF/ANEEL case number 48500.000377/2018-91, see Note 23;

(c) Transactions with Centrais Elétricas Brasileiras S.A. (Eletrobras) are related to loan agreements, relate to power sector credit facilities, the terms and conditions of which are equivalent to those applicable to other power distribution utilities in Brazil. During 2020, contracts were settled by indirect subsidiaries Equatorial Pará and Equatorial Maranhão. See note 17; and

(d) On December 01, 2014, the Belém 13th Civil Court Judge decreed, based on Articles 61 and 63 of Law 11102/05, after a decision by the Court Administrator and the Public Prosecutor, the end of the Company's in-court reorganization plan. These obligations only cease to exist when fully complied with. Centrais Elétricas Brasileiras S.A.- Eletrobras holds approved receivables amounting to R$ 423,463, which will be settled as follows: (i) grace period for payment of principal and interest until August 2019, with capitalized interest; (ii) interest of 6% p.a. paid on a semi-annual basis as from the last day of September 2019, and levied on the principal balance; and (iii) payment of principal: (iii.a) from March 2027 through September 2030, amortization corresponding to 5% p.a. of principal in semi-annual installments; (iii.b) from March 2031 through September 2033, amortization corresponding to 10% p.a. of principal p.a., in semi-annual installments; (iii.c) in September 2034, the balance of 50% (fifty per cent) of the principal amount. (Note 23).

Key management personnel compensation

The key management personnel include the Board of Directors, the CEO and Chief Officers. Their compensation was set at up to R$ 26,600, as per the Annual and Special General Meeting held on May 22, 2020 (R$ 16,000 on April 30, 2019).

(In thousands of Reais)

The Company and its subsidiaries' chief officers do not carry out any loan, advances or other transactions with the Company other than their services regularly provided.

As at December 31, 2020 and 2019, the Company and its subsidiaries do not provide any compensation for its key management personnel in the category of benefits from termination of employment.

Post-employment benefits are described in Note 32 and refer to retirement and pension benefit plans in order to complement and supplement the benefits paid by the official social security system.

Executive directors are entitled to stock option plans and share-based payments. Maturity dates and strike prices of the stock options purchased by executive directors and additional detailed information on the plan are presented in Note 27.8 – Stock option plans.

Proportion of each constituent of overall compensation, related to year ended December 31, 2020, paid by the Company:

	Board of Directors	%	Statutory Executive Board	%	Total
Number of members	7		6		13
Annual Fixed Compensation	5,402	100%	2,303	17%	7,705
Salaries or management fees	4,525	84%	1,832	13%	6,357
Direct and indirect benefits	-	-	105	1%	105
Other (Employer's INSS)	877	16%	366	3%	1,243
Variable compensation	-	-	6,029	43%	6,029
Bonuses	-	-	5,025	36%	5,025
Other (Employer's INSS)	-	-	1,004	7%	1,004
Share-based payments	-	-	5,542	40%	5,542
Total compensation by board	**5,402**	**100%**	**13,874**	**100%**	**19,276**

Guarantees

The Company has provided collaterals and guarantees to the subsidiaries, without related charges, in the loans and financing agreements.

12 Investments

The main information about investments in subsidiaries and joint ventures is as follows:

		Parent Company		Consolidated	
		2020	2019	2020	2019
Appraised by equity accounting:					
Equatorial Distribuição	90.15%	**4,629,987**	4,423,190	-	-
Equatorial Piauí	94.47%	**1,183,069**	679,917	-	-
Equatorial Alagoas	96.37%	**1,159,620**	809,472	-	-
Geradora de Energia do Maranhão	25.00%	**112,292**	103,751	112,292	103,751
55 Soluções	100.00%	**143,541**	82,572	-	-
Equatorial Transmissão	100.00%	**3,079,946**	2,072,159	-	-
INTESA	100.00%	**314,595**	492,961	-	-
Subtotal		**10,623,050**	8,664,022	**112,292**	103,751
Other investments		-	-	**17,732**	18,466
Total		**10,623,050**	8,664,022	**130,024**	122,217

(In thousands of Reais)

12.1 Changes in the capital expenditure in subsidiaries and joint subsidiaries - Parent company

	2019	Capital increase	Minimum dividends	Additional dividends	Share of profit (loss) of equity-accounted investees	Concession right amortization	Other comprehensive income	Stock options	Purchase options	2020
Subsidiaries										
Equatorial Distribuição	4,423,190	-	**(777,486)**	**(79,529)**	**1,020,860**	**-**	**766**	**42,186**	**-**	**4,629,987**
Equatorial Piauí	679,917	-	**-**	**-**	**590,479**	**(54,800)**	**(38,073)**	**5,546**	**-**	**1,183,069**
Equatorial Alagoas	809,472	-	**(54,878)**	**-**	**440,485**	**(39,093)**	**(9,317)**	**6,721**	**6,230**	**1,159,620**
Geradora de Energia do Maranhão	103,751	-	**(25,199)**	**-**	**33,740**	**-**	**-**	**-**	**-**	**112,292**
55 Soluções	82,572	-	**(19,964)**	**-**	**79,859**	**-**	**-**	**1,074**	**-**	**143,541**
Equatorial Transmissão	2,072,159	**129,898**	**(73,175)**	**(9,078)**	**955,662**	**-**	**-**	**4,480**	**-**	**3,079,946**
INTESA	492,961	-	**(199,062)**	**(1,161)**	**26,494**	**(4,637)**	**-**	**-**	**-**	**314,595**
Total	8,664,022	**129,898**	**(1,149,764)**	**(89,768)**	**3,147,579**	**(98,530)**	**(46,624)**	**60,007**	**6,230**	**10,623,050**

(In thousands of Reais)

12.2 Information about the subsidiaries and joint ventures - Consolidated

The Company presents the table below to show the individual position of its subsidiaries.

		Statement of financial position					Results in 2020					
		Current		Noncurrent								
Balances in 2020	**Interest Corporate**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Equity**	**Revenue net**	**Net income Gross**	**Revenue/ expenses operational**	**Net income Financial Net**	**Tax Contribution capital**	**Net income Net price**
Equatorial Piauí	**94.4737%**	**2,334,535**	**1,831,400**	**2,875,968**	**3,643,100**	**(263,997)**	**2,583,489**	**730,462**	**(25,873)**	**(55,137)**	**(30,052)**	**619,400**
Equatorial Alagoas	**96.3666%**	**1,837,604**	**1,300,545**	**2,470,911**	**2,877,446**	**130,524**	**2,122,930**	**621,203**	**(156,964)**	**(10,775)**	**(174)**	**453,290**
Geradora de Energia do Maranhão	**25.0000%**	**218,600**	**195,419**	**548,052**	**168,607**	**402,626**	**373,927**	**191,041**	**(16,908)**	**(14,510)**	**(24,662)**	**134,961**
55 Soluções	**100.0000%**	**91,484**	**40,230**	**94,024**	**1,737**	**143,541**	**160,069**	**60,533**	**35,584**	**501**	**(16,759)**	**79,859**
Equatorial Transmissão	**100.0000%**	**17,668**	**28,684**	**3,090,962**	**-**	**3,079,946**	**-**	**-**	**955,659**	**3**	**-**	**955,662**
Equatorial Distribuição	**90.1400%**	**111,879**	**88,270**	**5,107,928**	**-**	**5,131,537**	**-**	**-**	**1,132,348**	**115**	**-**	**1,132,463**
INTESA	**100.0000%**	**243,870**	**59,471**	**829,355**	**770,263**	**243,491**	**120,947**	**47,760**	**(3,181)**	**(19,249)**	**1,163**	**26,493**
		4,855,640	**3,544,019**	**15,017,200**	**7,461,153**	**8,867,668**	**5,361,362**	**1,650,999**	**1,920,665**	**(99,052)**	**(70,484)**	**3,402,128**

		Statement of financial position					Results in 2019					
		Current		Noncurrent								
Balances in 2019	**Interest Corporate**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Equity**	**Revenue net**	**Net income Gross**	**Revenue/ expenses operational**	**Net income Financial Net**	**Tax Contribution Capital**	**Net income Net price**
Equatorial Maranhão	65.1087%	2,794,304	928,193	4,633,382	3,365,258	3,134,235	3,046,007	1,043,750	(416,689)	(15,555)	(101,742)	509,764
Equatorial Pará	96.4992%	3,848,379	1,720,881	6,263,872	5,299,688	3,091,682	4,434,319	1,089,494	(524,755)	(106,314)	(102,671)	355,754
Equatorial Piauí	94.4737%	1,252,985	1,160,306	2,386,935	3,353,958	(874,344)	2,429,658	450,710	(190,622)	(156,532)	(10,277)	93,279
Equatorial Alagoas	96.3666%	988,625	606,078	2,422,169	3,096,184	(291,468)	1,443,939	450,368	(183,198)	(181,068)	178,596	264,698
Geradora de energia do norte	25.0000%	101,995	97,490	560,156	194,982	369,679	253,836	170,912	(15,034)	(17,620)	(21,488)	116,770
Vila Velha	50.0000%	-	-	6,600	-	6,600	-	-	-	-	-	-
55 Soluções	100.0000%	60,271	30,551	54,571	1,719	82,572	153,726	54,277	3,317	1,897	(15,145)	44,346
Equatorial Transmissão	100.0000%	6,709	14,387	2,079,836	-	2,072,158	-	-	1,026,019	217	-	1,026,236
Equatorial Distribuição	90.1400%	626	46,495	4,952,613	-	4,906,744	-	-	197,175	(1,356)	-	195,819
INTESA	100.0000%	372,358	89,661	899,488	764,964	417,221	488,397	440,351	(2,516)	(20,277)	(118,242)	299,316
		9,426,252	**4,694,042**	**24,259,622**	**16,076,753**	12,915,079	**12,249,882**	**3,699,862**	**(106,303)**	**(496,608)**	**(190,969)**	**2,905,982**

(In thousands of Reais)

12.3 Reconciliation of capital expenditure

		2020						
Subsidiaries	**Interest**	**Equity of subsidiary**	**Net income**	**Equity income**	**Investment value**	**Intangible concession assets (a)**	**Stock Options**	**Total investment**
Equatorial Alagoas	**94.47%**	**130,524**	**453,290**	**440,485**	**125,778**	**1,033,598**	**244**	**1,159,620**
Equatorial Piauí	**96.37%**	**(263,997)**	**619,400**	**590,479**	**(249,408)**	**1,432,170**	**307**	**1,183,069**
Geradora de Energia do Norte	**25.00%**	**402,626**	**134,961**	**33,740**	**100,657**	**11,635**	**-**	**112,292**
55 Soluções	**100.00%**	**143,540**	**79,859**	**79,859**	**143,541**	**-**	**-**	**143,541**
Equatorial Transmissão	**100.00%**	**3,079,948**	**955,662**	**955,662**	**3,079,946**	**-**	**-**	**3,079,946**
Equatorial Distribuição	**90.15%**	**5,131,537**	**1,132,463**	**1,020,860**	**4,625,830**	**-**	**4,157**	**4,629,987**
INTESA	**100.00%**	**243,491**	**26,493**	**26,494**	**243,491**	**71,104**	**-**	**314,595**
		8,867,669	**3,402,128**	**3,147,579**	**8,069,835**	**2,548,507**	**4,708**	**10,623,050**

		2019						
Subsidiaries	**Interest**	**Equity of subsidiary**	**Net income**	**Equity income**	**Investment value**	**Intangible concession assets (a)**	**Provision for loss investment devaluation**	**Total investment**
Equatorial Maranhão	65.1087%	3,134,235	509,764	323,496	-	-	-	-
Equatorial Pará	96.4992%	3,091,682	355,754	342,498	-	-	-	-
Equatorial Piauí	94.4737%	(874,344)	93,279	128,558	(826,026)	1,505,943	-	679,917
Equatorial Alagoas	96.3666%	(291,468)	264,698	347,565	(280,877)	1,090,349	-	809,472
Geradora de Energia do Norte	25.0000%	369,679	116,770	29,295	92,420	11,331	-	103,751
Vila Velha	50.0000%	6,600	-	-	3,300	-	(3,300)	-
55 Soluções	100.0000%	82,572	44,346	44,346	82,572	-	-	82,572
Equatorial Transmissão	100.0000%	2,072,158	1,026,236	1,026,237	2,072,159	-	-	2,072,159
Equatorial Distribuição	90.1451%	4,906,744	195,819	176,522	4,423,190	-	-	4,423,190
INTESA	100.0000%	417,221	299,316	294,678	417,220	75,741	-	492,961
		12,915,079	2,905,982	2,713,195	5,983,958	2,683,364	(3,300)	8,664,022

(a) Refers to the Purchase Price Allocation (PPA) balance in the acquisition of its subsidiaries.

(In thousands of Reais)

13 Concessions (Consolidated)

Denotes the portion of the investments made and not amortized by the end of the concession classified as a financial asset, because it is an unconditional right to receive cash or another financial asset directly. The portion of infrastructure classified as a financial asset is remunerated through the so-called regulatory Weighted Average Cost of Capital - WACC, which is the return on investment collected monthly on customers' electricity bills.

The changes in concession financial asset balances are as follows:

	2019	Indexation of financial assets (a)	Transfers of contract assets (b)	Write-offs	Other (a)	Reclassification	2020
Financial assets – Distribution	6,514,499	**276,664**	**597,748**	**(7,701)**	**355,822**	**(1,062)**	**7,735,970**
Special obligations Distribution (c)	(1,568,954)	**(92,072)**	**(53,200)**	**-**	**(355,822)**	**-**	**(2,070,048)**
Total	4,945,545	**184,592**	**544,548**	**(7,701)**	**-**	**(1,062)**	**5,665,922**

(a) For a better estimate of the indemnity upon the termination of the concession of the subsidiaries Equatorial Piauí and Equatorial Alagoas and the subsidiaries Equatorial Maranhão and Equatorial Pará , the fair value of financial assets is indexed on a monthly basis to the IPCA index, which is one of the primary indexes used for annual indexation by the regulator in tariff adjustment processes

Provisional Executive Order No. 998, of 09/02/2020, establishes that assets classified in the compensation base as physical surplus and PPE in progress of distribution companies that were privatized (assets existing when the entity was privatized and that were not included in the compensation base) and recognized by ANEEL in the asset base valuation process, upon these distribution companies’ first tariff review, entitle such companies to payment for the assets not depreciated.

The Federal Official Gazette (DOU) published on November 20, 2020 instituted Ruling No. 413, of November 19, 2020, whereby the Brazilian Ministry of Mines and Energy authorizes payment to subsidiary Equatorial Piauí Distribuidora de Energia S.A., with funds from the Overall Reversal Reserve (RGR), referring to amounts not subject to depreciation of electric power distribution assets classified as physical surplus in the full valuation processes of regulatory compensation bases, defined by ANEEL, and deriving from the bids for de-statization addressed by article 8 of Law No. 12783, of January 11, 2013.

The amount authorized and adjusted by Provisional Executive Order No. 998, until the date of the tariff adjustment provided for in the respective Concession Contract is of R$ 355,822. This amount will be received in monthly installments, paid in up to three years and adjusted by reference to Selic rate, until the month prior to the month of payment.

(b) Denotes the transfers of contract assets to concession financial assets and intangible assets; and
(c) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

(In thousands of Reais)

14 Intangible assets (Consolidated)

Intangible assets are comprised as follows:

	Annual rates	2020 Cost	Amortization	(-) Obligations linked to the concession	Net
Distribution					
In service - Distribution	4.32%	15,799,421	(7,654,070)	(2,196,067)	5,949,284
Concession right					
Concession right – Equatorial Maranhão (a)	3.33%	**291,810**	**(140,491)**	**-**	**151,319**
Concession right – Equatorial Pará (a)	3.33%	**172,905**	**(164,363)**	**-**	**8,542**
Concession right -Equatorial Alagoas (a)	3.33%	**1,196,831**	**(71,042)**	**-**	**1,125,789**
Concession right – Equatorial Piauí (a)	3.33%	**1,714,448**	**(130,511)**	**-**	**1,583,937**
Subtotal		**3,375,994**	**(506,407)**	**-**	**2,869,587**
Other		**10,455**	**(440)**		**10,015**
Subtotal		**19,185,870**	**(8,160,917)**	**(2,196,067)**	**8,828,886**
Transmission					
In service – Transmission (Grant right)	4.34%	**9,024**	**(1,703)**	**-**	**7,321**
In course – Transmission		**1,542**	**-**	**-**	**1,542**
Concession right					
Concession right - INTESA (a)	3.33%	**80,378**	**(9,274)**	**-**	**71,104**
Subtotal		**90,944**	**(10,977)**	**-**	**79,967**
Total		**19,276,814**	**(8,171,894)**	**(2,196,067)**	**8,908,853**

	Annual rates	2019 Cost	Amortization	(-) Obligations linked to the concession	Net
Distribution					
In service - Distribution	4.24%	15,005,268	(6,828,676)	(2,295,525)	5,881,067
Concession right					
Concession right – Equatorial Maranhão (a)	3.33%	291,810	(124,838)	-	166,972
Concession right -Equatorial Alagoas (a)	3.33%	1,218,957	(30,474)	-	1,188,483
Concession right – Equatorial Piauí (a)	3.33%	1,740,149	(72,506)	-	1,667,643
Subtotal		3,250,916	(227,818)	-	3,023,098
Other		19,449	(359)	-	19,090
Subtotal		18,275,633	(7,056,853)	(2,295,525)	8,923,255
Transmission					
In service – Transmission (Grant right)	4.34%	9,027	(798)	-	8,229
In course - Transmission		749	-	-	749
Concession right					
Concession right – INTESA (a)	3.33%	80,378	(4,637)	-	75,741
Subtotal		90,154	(5,435)	-	84,719
Total		18,365,787	(7,062,288)	(2,295,525)	9,007,974

* Weighted average annual depreciation rates (%)

(a) Refers to the adjustment to fair value of the intangible asset in a business combination through the Allocation of the Price Paid - PPA, being classified in the Consolidated as intangible assets, since they are contractual rights and other legal rights, in accordance with o CPC 04/IAS 38 - Intangible assets.

(In thousands of Reais)

Change in intangible assets

	Distribution							
	2019	Others	Reversal of impairment	Reclassification	Additions	Write-offs	Transfers (a) Contract assets	2020
In service	15,005,268	-	162,791	6,262	-	(109,509)	734,609	15,799,421
(-) Amortization	(6,828,676)	-	-	-	(895,785)	70,391	-	(7,654,070)
Total in service	8,176,592		162,791	6,262	(895,785)	(39,118)	734,609	8,145,351
Special obligations **(b)**	(3,963,368)	(1,398)	-	25,263	-	15,821	(146,527)	(4,070,209)
(-) Amortization	1,667,843	-	-	-	206,300	-	(1)	1,874,142
Total special obligations	(2,295,525)	(1,398)	-	25,263	206,300	15,821	(146,528)	(2,196,067)
Other	3,042,188	-	-	-	(114,759)	(47,827)	-	2,879,602
Total Distribution	**8,923,255**	**(1,398)**	**162,791**	**31,525**	**(804,244)**	**(71,124)**	**588,081**	**8,828,886**

	Transmission							
	2019	Others	Reversal of impairment	Reclassification	Additions	Write-offs	Transfers (a) Contract assets	2020
In service	9,027	-	-	(7,707)	-	-	-	1,320
(-) Amortization	(798)	-	-	759	-	(663)	-	(702)
Total in service	8,229	-	-	(6,948)	-	(663)	-	618
In progress	749	-	-	-	793	-	-	1,542
Concession right	80,378	-	-	-	-	-	-	80,378
(-)Amortization	(4,637)	-	-	-	(4,637)	-	-	(9,274)
Total concession right	75,741	-	-	-	(4,637)	-	-	71,104
Others	-	-	-	6,948	(245)	-	-	6,703
Total Transmission	**84,719**	-	-	-	**(4,089)**	**(663)**	-	**79,967**
Total intangible	**9,007,974**	**(1,398)**	**162,791**	**31,525**	**(808,333)**	**(71,787)**	**588,081**	**8,908,853**

(a) Denotes the transfers (bifurcation) of contract assets to intangible assets in service and concession financial assets; and

(b) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

(In thousands of Reais)

15 Contractual assets (Consolidated)

The Group's contract assets are constituted as follows:

	2020						
	Cost	**Write-off of RAP**	**(-) Obligations related to the concession**	**Contract asset adjustment**	**Construction contract**	**Operation and maintenance revenue (O&M)**	**Net**
Distribution	**1,942,174**	**-**	**(853,251)**	**-**	**-**	**-**	**1,088,923**
Transmission	**7,399,369**	**(493,745)**	**-**	**1,221,130**	**1,835,761**	**21,775**	**9,984,290**
Total	**9,341,543**	**(493,745)**	**(853,251)**	**1,221,130**	**1,835,761**	**21,775**	**11,073,213**
Current							**708,900**
Noncurrent							**10,364,313**

	2019			
	Cost	**Write-off of RAP**	**(-) Obligations related to the concession**	**Net**
Distribution	1,464,994	-	(620,117)	844,877
Transmission	7,591,069	(191,702)	-	7,399,367
Total	9,056,063	(191,702)	(620,117)	8,244,244
Current				699,692
Noncurrent				7,544,552

Change in contractual assets - Distribution

				Transfers (a)				
	2019	**Additions (b)**	**Write-offs**	**Intangible Assets**	**Financial Assets**	**Reclassification**	**Others**	**2020**
In progress	1,464,994	1,843,133	(26,544)	(734,609)	(597,748)	(5,200)	(1,852)	1,942,174
Special obligation (b)	(620,117)	(416,834)	7,383	146,528	53,200	(25,263)	1,852	(853,251)
Total distribution	844,877	1,426,299	(19,161)	(588,081)	(544,548)	(30,463)	-	1,088,923

(In thousands of Reais)

Change in contractual assets - Transmission

	2019	Construction margin	Contract asset remuneration	RAP Realization	O&M Revenue	Contractual asset – gain/loss on realization	2020
In progress	7,437,274	2,200,964	705,808	-	-	(507,229)	9,836,817
In service	(37,907)	142,028	515,323	(493,746)	21,775	-	147,473
Total transmission	7,399,367	2,342,992	1,221,131	(493,746)	21,775	(507,229)	9,984,290
Total contractual assets	8,244,244						11,073,213
Current	699,692						708,900
Noncurrent	7,544,552						10,364,313

(a) Denotes the transfers (bifurcation) of contract assets to concession financial assets and intangible assets; and

(b) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

The Company and its subsidiaries operating in the energy distribution business assessed the impact and concluded as low the risk of non-receipt and associated loss, since they will be remunerated, as from service’s start, (i) by increasing the tariff charged by customers, through cycles (ii) for the unconditional right to receive cash or other financial assets from the Granting Authority, as compensation for the reversal of the public service infrastructure.

16 Trade payables (Consolidated)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current				
Electricity sales to distributors (a)	-	-	**1,139,223**	889,825
Electricity network usage charge	-	-	**109,137**	72,659
Materials and services (b)	**33,007**	2,081	**934,914**	920,819
Free electricity pass-through	-	-	**19,607**	19,174
Guarantees	-	-	**28,120**	30,390
Related-party transactions (c)	-	-	-	1,037
Provision for trade payables	-	-	**32,293**	35,112
Total	**33,007**	2,081	**2,263,294**	1,969,016
Noncurrent				
Materials and services	-	-	6,695	7,094
Total	-	-	6,695	7,094
Total	**33,007**	2,081	**2,269,989**	1,976,110

(a) The variation in the period presented is due to the increase in costs of operations with the CCEE - availability effect, effect of contracting guarantee quotas and financial exposure that are valued at PLD. In addition, the increase in the PLD contributes to the drive of the thermoelectric plants, increasing expenses with energy contracts;

(b) This composition is largely due to suppliers of materials and services, related to investments in the infrastructure of the concession that the subsidiaries make throughout the period; and

(c) Amounts related to transactions with related parties, as per note 11.

(In thousands of Reais)

17 Loans and borrowings

17.1 Balance breakdown

	Guarantees	Parent Company 2020				Parent Company 2019			
		Average cost of the debt (% p.a.)	Principal and interest			Average cost of the debt (% p.a.)	Principal and interest		
			Current	Noncurrent	Total		Current	Noncurrent	Total
Domestic currency									
Promissory note	-	-	-	-	-	6.41%	507,358	-	507,358

	Guarantees	Consolidated 2020				Consolidated 2019			
		Average cost of the debt (% p.a.)	Principal and interest			Average cost of the debt (% p.a.)	Principal and interest		
			Current	Noncurrent	Total		Current	Noncurrent	Total
Foreign currency (USD)									
CCBI Citibank	-	3.12%	**400,433**	**1,258,982**	**1,659,415**	6.74%	7,602	1,284,299	1,291,901
Scotiabank		4.48%	**659**	**185,928**	**186,587**				
Total exchange currency		3.26%	**401,092**	**1,444,910**	**1,846,002**		7,602	1,284,299	1,291,901
Domestic currency									
Eletrobras	Receivables	3.74%	**573,472**	**1,494,696**	**2,068,168**	7.11%	278,260	2,124,748	2,403,008
IBM	-		-	-	-	5.96%	2,975	-	2,975
BNDES	Parent company collateral + Receivables + Investment + Share Pledge	7.28%	**369,266**	**3,834,380**	**4,203,646**	8.74%	170,350	2,713,636	2,883,986
Banco do Brasil	Parent company collateral + Statutory Lien	4.10%	**31,454**	**618,551**	**650,005**	5.99%	734	273,663	274,397
BNB	Parent company collateral + Investment + Share Pledge	4.39%	**43,685**	**1,426,501**	**1,470,186**	6.23%	16,247	1,165,411	1,181,658
Caixa Econômica Federal	Parent company collateral+ Receivables+ Investment	6.00%	**11,271**	**57,281**	**68,552**	6.00%	10,379	67,601	77,980
Finep	-		-	-	-	4.00%	161		161
CCEE/RGR/ANEEL (a)	Receivables	5.00%	**-**	**2,361,122**	**2,361,122**	5.00%	-	2,269,112	2,269,112
Santander	Parent company collateral	3.79%	**214,633**	**580,000**	**794,633**	6.83%	151,323	200,000	351,323
Votorantim	-		-	-	-	4.50%	125	-	125
Promissory note	-	2.92%	**585,778**	**-**	**585,778**	6.60%	1,105,414	569,013	1,674,427
Subtotal		6.18%	**1,829,559**	**10,372,531**	**12,202,090**	6.89%	1,735,968	9,383,184	11,119,152
(-) Arrangement costs			**(1,361)**	**(21,721)**	**(23,082)**		(1,290)	(23,239)	(24,529)
(-) Adjustment to present value (a)			**-**	**(1,237,435)**	**(1,237,435)**	10.58%	-	(1,281,570)	(1,281,570)
Subtotal			**(1,361)**	**(1,259,156)**	**(1,260,517)**		(1,290)	(1,304,809)	(1,306,099)
Total local currency		6.65%	**1,828,198**	**9,113,375**	**10,941,573**	8.47%	1,734,678	8,078,375	9,813,053
Total		6.71%	**2,229,290**	**10,558,285**	**12,787,575**	8.27%	1,742,280	9,362,674	11,104,954

(a) Subsidiaries Equatorial Piauí and Equatorial Alagoas have an adjustment to present value on the balance of the loan approved by ANEEL as RGR (Global Reversion Reserve), taken out due to the amendment to the contractual conditions defined in the new concession contract for the debt whose interest charges were renegotiated to 5% p.a. Equatorial Piauí and Equatorial Alagoas recognized, respectively, adjustment to present value of R$ 674,930 and R$ 650,957, as at March 31, 2019 and a discount rate that reflected the risk and terms of funding available in the market to the Company. At December 31, 2020, the adjustment to present value balance corresponds to R$ 624,451 and 612,984 for Equatorial Piauí and Equatorial Alagoas, respectively.

As of December 31, 2020, the amounts in consolidated loans and financing have an average cost of 6.71% p.a., equivalent to 241.93% of the CDI (8.27% p.a., equivalent to 138.75% of the CDI rate at December 31, 2019), considering the cost of Citibank and Scotiabank debt, the cost of the swap payables in CDI + spread.

(In thousands of Reais)

17.2 Debt amortization schedule

At December 31, 2020 the installment payments under the primary loans and financing agreements were as follows:

Consolidated

	2020	
Due date	Amount	%
Current	**2,229,290**	**17%**
2022	**1,951,903**	**15%**
2023	**1,899,146**	**15%**
2024	**1,235,261**	**10%**
2024 onwards	**6,731,131**	**53%**
Subtotal	**11,817,441**	**93%**
Arrangement costs/AVP (Noncurrent)	**(1,259,156)**	**(10%)**
Noncurrent	**10,558,285**	**83%**
Total	**12,787,575**	**100%**

The Company's indirect subsidiaries (SPE 01, SPE 02, SPE 03 and SPE 05) have a loan with Banco do Nordeste do Brasil amounting to R$ 1,425,493. In accordance with Resolution No. 4,798 of April 6, 2020, referring to funds of the Constitutional Financing Fund of the Center-West of Brazil (FCO), their installments overdue and falling due were suspended until the year ending December 31, 2020, since they were impacted by the state public calamity arising from Covid-19.

The direct subsidiaries (Equatorial Piaui and Equatorial Alagoas) have loans with the Banco Nacional de Desenvolvimento (BNDES) in the amount of R$ 396,355 and R$ 207,388, respectively, and joined the standstill proposed by the Bank, with signatures of the related contractual amendments on May 8, 2020, for temporary suspension of payment of interest and principal for six months, between April and September 2020, with the capitalization of the unpaid amount and without changing the final term.

17.3 Change in debt

Changes in balances of loans and financing are as follows:

Parent Company

	Domestic currency		
	Current liabilities	**Noncurrent liabilities**	**Total**
Balances as of December 31, 2019	507,358	-	507,358
Charges	12,193	-	12,193
Amortization of principal	(500,000)	-	(500,000)
Interest payments	(19,551)	-	(19,551)
Balances as of December 31, 2020	-	-	-

(In thousands of Reais)

Consolidated

	Domestic currency		Foreign currency (USD)		
	Current liabilities	Noncurrent liabilities	Current liabilities	Noncurrent liabilities	Total
Balances as of December 31, 2019	1,734,678	8,078,375	7,602	1,284,299	11,104,954
Inflows (a)	-	**2,505,251**	-	**200,000**	**2,705,251**
Charges	**504,637**	**89,191**	**50,810**	-	**644,638**
Monetary and exchange variance	**(5,038)**	**109,246**	**87,570**	**253,329**	**445,107**
Transfers	**1,668,059**	**(1,668,059)**	**292,718**	**(292,718)**	-
Amortization of principal	**(1,779,089)**	-	-	-	**(1,779,089)**
Interest payments	**(341,592)**	-	**(37,608)**	-	**(379,200)**
Arrangement costs (b)	**2,409**	**(629)**	-	-	**1,780**
Present value adjustment	**44,134**	-	-	-	**44,134**
Balances as of December 31, 2020	**1,828,198**	**9,113,375**	**401,092**	**1,444,910**	**12,787,575**

(a) **Equatorial Maranhão**: On August 14, 2020, Equatorial Maranhão and BNB entered into an agreement amounting to R$ 44,444, to be allocated to the Company's cash management, referring to two subloans: R$ 40,000 subject to IPCA + 2.98% p.a., and 4,444 subject to CDI + 3.70% p.a., with final maturity on July 15, 2023. On August 19, 2020, the 4th release relating to the BNDES agreement took place, amounting to R$ 150,000, and on November 25, 2020, the 5th release amounting to R$ 90,000 took place, which will be allocated to investments made by the Company, subject to IPCA + 4.95% p.a. and final maturity on May 15, 2030;
Equatorial Pará: On April 22, 2020, the 4th release relating to BNDES agreement took place, amounting to R$ 220,000 and on September 29, 2020, the 5th release, amounting to R$ 220,000, took place, to be allocated to investments made by the Company, subject to IPCA + 4.81% p.a. and final maturity on April 15, 2028;
Equatorial Piauí: On January 16, 2020, Equatorial Piauí and Santander entered into a financing agreement amounting to R$ 130,000. These funds are intended for investments by the Company, subject to CDI + 0.98% p.a. and final maturity on December 27, 2023. On October 09, 2020, the 2nd release, amounting to R$ 130,000, took place and on November 18, 2020, the 3rd release took place relating to the financing agreement with BNDES, amounting to R$ 50,000. These funds are intended to investments by the Company, subject to IPCA + 3.93% p.a. and final maturity on October 15, 2039. On October 16, 2020, a financing agreement was entered into with Scotiabank, amounting to R$ 200,000. These funds will be allocated to the Company's ordinary management, subject to CDI + 1.68% p.a. and final maturity on October 10, 2023. On October 30, 2020, a financing agreement was entered into with Santander, amounting to R$ 200,000, which will be allocated the Company's ordinary management, subject to CDI + 1.65% p.a. and final maturity on October 09, 2024;
Equatorial Alagoas: On January 16, 2020, a financing agreement was entered into with Santander amounting to R$ 250,000, which will be allocated to investments made by the Company, subject to CDI + 0.98% p.a. and final maturity on December 27, 2023. On September 11, 2020, the 2nd release took place relating to the BNDES agreement, amounting to R$ 75,000 and, on November 18, 2020, the 3rd release took place amounting to R$ 50,000, to be allocated to investments by the Company, subject to IPCA + 3.93% p.a. and final maturity on October 15, 2039;
Equatorial Transmissão SPE 1: On January 15, 2020, the 4th release relating to the financing agreement with BNB took place, amounting to R$ 50,000, which will be allocated to Company investments, subject to IPCA + 2.076% p.a., and application of a 15% decrease in spread as on-time payment bonus, and final maturity on July 15, 2038;
Equatorial Transmissão SPE 2: On March 31 of the current year, the amount of R$ 26,193 and on June 04, the amount of R$ 4,908 were released, referring to the financing agreement with Banco do Nordeste do Brasil S.A. – BNB, whose funds will be allocated to Company investments, subject to IPCA + spread of 2.076% p.a., application of a 15% decrease in spread as on-time payment bonus, and final maturity in July 2038;
Equatorial Transmissão SPE 3: On March 04 of the current year, the amount of R$ 50,000 and on November 12, the amount of R$ 28.554 were released, referring to the financing agreement with Banco do Nordeste do Brasil S.A. – BNB, whose funds will be allocated to Company investments, subject to IPCA + spread of 2.076% p.a., application of a 15% decrease in spread as on-time payment bonus, and final maturity in July 2038;
Equatorial Transmissão SPE 4: On March 30 of the current year, the amount of R$ 78,000 and on July 23, the amount of R$ 26.700 were released, referring to the financing agreement with BNDES, whose funds will be allocated to Company investments, subject to IPCA + spread of 5.32% p.a., and final maturity in December 2042;
Equatorial Transmissão SPE 5: On March 05 of the current year, the amount of R$ 61,916 and on July 28, the amount of R$ 14,529 were released, referring to the financing agreement with Banco do Nordeste do Brasil S.A. – BNB, whose funds will be allocated to Company investments, subject to IPCA + spread of 2.570% p.a., application of a 15% decrease in spread as on-time payment bonus, and final maturity in April 2039;
Equatorial Transmissão SPE 6: On February 27 of the current year, the amount of R$ 100,000, on May 28, the amount of R$ 54,200, September 04, the amount of R$ 24,000 and on December 29, the amount of R$ 10,000 were released, referring to the financing agreement with BNDES, whose funds will be allocated to Company investments, subject to IPCA + spread of 4.92% p.a., and final maturity in December 2042;
Equatorial Transmissão SPE 7: In the current year, releases took place on May 28 in the amount of R$ 59,931 and on December 21 in the amount of R$ 87,571, referring to the financing agreement with Banco do Brasil, by means of transfer of funds from the Amazon Development Fund ("FDA") under the terms approved by SUDAM. These funds will be allocated to investments made by the Company, subject to IPCA + 1.61% p.a., and final maturity on October 30, 2038; and
Equatorial Transmissão SPE 8: On November 27, 2020, the 2nd release relating to the financing agreement with BNB took place, amounting to R$ 209,805, referring to the financing agreement with Banco do Brasil, by means of transfer of funds from the Amazon Development Fund ("FDA") under the terms approved by SUDAM. These funds will be allocated to investments made by the Company, subject to IPCA + 1.61% p.a., and final maturity on October 30, 2038.

(b) Refers to changes in transaction/funding costs, when positive means amortization and when negative, addition.

(In thousands of Reais)

17.4 Covenants and guarantees for loans and financing

Loans and financing contracted by the Company and its subsidiaries Equatorial Piauí, Equatorial Alagoas, Intesa and indirect subsidiaries Equatorial Maranhão, Equatorial Pará, Transmission Companies 1, 2, 3, 4, 5, 6, 7 and 8 have financial guarantees (real and personal) and non-financial and financial covenants, the noncompliance of which in the calculation period may result in the early maturity of the contracts. In the year ended December 31, 2020, the Company and its subsidiaries remained within the limits of the financial covenants established in the contracts, as shown below:

Indirect subsidiaries

Equatorial Maranhão

Covenants Promissory Notes (NP)	1ª NP
1st Net debt/EBITDA :<=3.25	0.8
2nd EBITDA/Net financial expense :>=1.5	25.8

Loan Covenants	BNDES I	BNDES II	BNDES III
1st Net debt/EBITDA :<=3.0	0.8	0.8	0.8
3rd Net Debt/(Net Debt + SE) :<=0.7	0.2	0.2	0.2

Loan Covenants	BNDES IV
1st Net debt/EBITDA :<=3.5	0.8
2nd Net Debt/(Net Debt + SE) :<=0.7	0.2

Equatorial Pará

Loan Covenants	Santander
1st Net debt/EBITDA :<= 3.5	1.6

Loan Covenants	BNDES
1st Net debt/EBITDA :<=3.75	2.0
3rd Net Debt/(Net Debt + SE) :<=0.7	0.4

Loan Covenants	Citibank I	Citibank II
1st Net debt/EBITDA :<= 4.0	1.7	1.7
2nd EBITDA/ Finance income (costs) > 2.0	7.4	N/A

Direct subsidiaries

Equatorial Alagoas

Loan Covenants	BNDES
1st Net debt/ EBITDA :<=3.75	1.8

(In thousands of Reais)

The Company is the guarantor of the following issues, in which the covenants are calculated on a consolidated basis, as under:

Equatorial Piauí

Loan Covenants	**BNDES**	**Scotiabank**	**Citibank**	**Santander**
1st Net debt/EBITDA :<=4.5	1.9	1.9	1.9	1.9

Equatorial Alagoas

Loan Covenants	**Santander**
1st Net debt/EBITDA :<=4.5	1.9

The indicators (Note 17 – Loans and Financing) faithfully follow the concepts of contractual net debt and contractual EBITDA, as agreed upon and recorded in the contract documents. This information is solely aimed at disclosing the indicators computed in conformity with the definitions hereunder. There are no significant concept differences between the indicators mentioned and the accounting definitions of net debt and EBITDA.

18 Debentures

18.1 Change in debt

The change in debentures in the year can be seen below:

Parent Company

	Parent Company		
	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2019	11,622	1,252,232	1,263,854
Charges	**32,563**	**-**	**32,563**
Interest payments	**(41,028)**	**-**	**(41,028)**
Amortization of principal	**(695,500)**	**-**	**(695,500)**
Monetary variance	**-**	**4,996**	**4,996**
Arrangement costs (a)	**1,756**	**(554)**	**1,202**
Transfers	**693,748**	**(693,748)**	**-**
Balances as of December 31, 2020	3,161	562,926	566,087

	Parent Company		
	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2019	14.112	1.248.331	1.262.443
Inflows	-	1.000.000	1.000.000
Charges	91.278	-	91.278
Interest payments	(93.467)	-	(93.467)
Monetary variance	-	4.099	4.099
Arrangement costs (a)	978	(1.477)	(499)
Transfers Equatorial Distribuição	-	(1.000.000)	(1.000.000)
Transfers	(1.279)	1.279	-
Balances as of December 31, 2019	11.622	1.252.232	1.263.854

(a) Refers to changes in transaction/funding costs, when positive means amortization and when negative, addition.

(In thousands of Reais)

As of December 31, 2020, the Company has two current issues.

Parent Company

Issuance	Feature	Series	Issuance Value	Nominal Cost	Date of Issue	Final Maturity	At December 31, 2020 Balance net of borrowing cost	At December 31, 2020 Effective cost
2ª	(1)/(2)/(3)/(4)	2ª	104,500	IPCA + 5.77% p.a.	Oct/18	Nov/24	115,278	10.33%
3ª	(1)/(2)/(3)	Single	448,400	CDI + 1.3% p.a.	Oct/18	Oct/24	450,809	4.09%
							566,087	5.36%

(1) Public simple debenture issuance

(2) Nonconvertible into shares

(3) Unsecured type

(4) Incentivized debentures

Consolidated

	Current liabilities	Non-current liabilities	Total
Balances as of December 31, 2019	144,283	5,559,184	5,703,467
Charges	**393,435**	**(20,038)**	**373,397**
Transfers	**1,439,196**	**(1,439,196)**	**-**
Amortization of principal	**(786,398)**	**-**	**(786,398)**
Interest payments	**(218,161)**	**-**	**(218,161)**
Monetary variance	**(97,427)**	**16,350**	**(81,077)**
Arrangement costs (a)	**8,148**	**1,027**	**9,175**
Balances as of December 31, 2020	**883,076**	**4,117,327**	**5,000,403**

	Current liabilities	Non-current liabilities	Total
Balances as of December 31, 2018	505,464	4,170,885	4,676,349
Inflows	-	1,595,000	1,595,000
Charges	351,764	20,036	371,800
Transfers	202,038	(202,038)	-
Amortization of principal	(608,328)	-	(608,328)
Interest payments	(356,395)	-	(356,395)
Monetary variance	39,421	8,712	48,133
Arrangement costs (a)	10,319	(33,411)	(23,092)
Balances as of December 31, 2019	144,283	5,559,184	5,703,467

(a) Refers to changes in transaction/funding costs, when positive means amortization and when negative, addition.

(In thousands of Reais)

At December 31, 2020 the Company’s direct and indirect subsidiaries, including the parent company, accounted for fifteen issues in force.

								At December 31, 2020	
Company	**Issuance**	**Feature**	**Series**	**Issuance Value**	**Nominal Cost**	**Date of Issue**	**Final Maturity**	**Balance net of borrowing cost**	**Effective cost**
EQTL PA	2ª	(2)/(3)/(4)(5)	1ª	60,000	IPCA + 8.04% p.a.	Dec/16	Jan/24	**74,560**	**12.70%**
EQTL PA	2ª	(2)/(3)/(4)(5)	2ª	23,000	IPCA + 7.00% p.a.	Dec/16	Jan/24	**27,893**	**11.61%**
EQTL PA	3ª	(1)/(3)/(4)/(6)	1ª	199,069	IPCA + 6.70% p.a.	Dec/16	Dec/21	**229,665**	**11.30%**
EQTL PA	3ª	(1)/(3)/(4)/(6)	2ª	100,931	IPCA + 6.87% p.a.	Dec/16	Dec/23	**116,234**	**11.48%**
EQTL PA	5ª	(1)/(3)/(4)	1ª	543,033	CDI + 1.1% p.a.	May/18	Apr/23	**541,758**	**3.89%**
EQTL PA	5ª	(1)/(3)/(4)	2ª	456,967	CDI + 1.30% p.a.	May/18	Apr/23	**459,622**	**4.09%**
EQTL MA (a)	7ª	(1)/(2)/(3)/(4)/(6)	1ª	155,000	IPCA + 5.48% p.a.	Nov/16	Oct/21	**177,834**	**10.03%**
EQTL MA (a)	7ª	(1)/(2)/(3)/(4)/(6)	2ª	115,000	IPCA + 5.54% p.a.	Nov/16	Oct/23	**135,049**	**10.09%**
EQTL MA	8ª	(1)/(2)/(3)	Single	500,000	107% do CDI	Sept/17	Sept/22	**502,605**	**2.95%**
EQTL PI	1ª	(1)/(3)/(4)	Single	400,000	109.8% do CDI	Dec/18	Dec/21	**400,558**	**2.94%**
EQTL PI	2ª	(1)/(3)/(4)	Single	620,000	CDI + 1.10% p.a.	May/19	May/23	**621,044**	**5.66%**
SPE 1	1ª	(1)/(3)/(4)/(6)	Single	55,000	IPCA + 4.85% p.a.	Feb/19	Jan/33	**62,090**	**9.37%**
SPE 2	1ª	(1)/(3)/(4)/(6)	Single	45,000	IPCA + 4.85% p.a.	Feb/19	Jan/33	**50,774**	**9.37%**
SPE 3	1ª	(1)/(3)/(4)/(6)	1ª	45,000	IPCA + 4.80% p.a.	Feb/19	Jan/33	**53,069**	**9.32%**
SPE 3	1ª	(1)/(3)/(4)/(6)	2ª	45,000	IPCA + 4.65% p.a.	Feb/19	Jan/34	**48,120**	**9.16%**
SPE 5	1ª	(1)/(3)/(4)/(6)	Single	66,000	IPCA + 4.85% p.a.	May/19	Apr/39	**71,782**	**9.37%**
SPE 7	2ª	(1)/(3)/(4)/(6)	2ª	130,000	IPCA + 4.85% p.a.	May/19	Apr/39	**147,314**	**9.37%**
SPE 8	1ª	(1)/(3)/(4)/(6)	1ª	102,000	IPCA + 4.85% p.a.	Apr/19	Apr/39	**106,812**	**9.37%**
SPE 8	1ª	(1)/(3)/(4)/(6)	2ª	87,000	IPCA + 4.85% p.a.	Apr/19	Apr/39	**99,365**	**9.37%**
INTESA	1ª	(1)/(3)/(4)/(6)	1ª	100,000	IPCA + 5.42% p.a.	Nov/18	Oct/25	**107,120**	**9.96%**
INTESA	2ª	(1)/(3)/(4)	1ª	250,000	109% do CDI	Mar/19	Mar/24	**249,910**	**3.01%**
INTESA	2ª	(1)/(3)/(4)	2ª	150,000	CDI + 1.10% p.a.	Mar/19	Mar/26	**151,138**	**3.89%**
								4,434,316	**5.77%**

(1) Public simple debenture issuance;

(2) Private simple debenture issuance;

(3) Nonconvertible into shares;

(4) Unsecured type

(5) Personal guarantee; and

(6) Incentivized debentures

(a) The total amount of funds obtained was invested in accordance with the contracts.

Issuers of incentivized debentures, pursuant to article 2 of Law No. 12,431 dated June 24, 2011, amended by Decree No. 8,874 dated October 11, 2016, under the National Monetary Council’s Resolution no. 3,947 dated January 27, 2011, mandatorily require applying all the funds raised through the Debenture Issues in covering expenses already incurred and/or to be incurred in connection with Projects Qualified by the MME- Ministry of Mines and Energy, in which there are no defined deadlines for investing such funds. The purpose of incentivized debentures is to raise funds for infrastructure projects, and all funds obtained were used by the Company for this purpose.

(In thousands of Reais)

18.2 Debt amortization schedule

Parent Company

	2020	
Maturity	**Amount**	**%**
Current	**3,161**	**1%**
2023	**58,966**	**10%**
2024	**507,366**	**90%**
Noncurrent	**566,332**	**100%**
Arrangement costs (noncurrent)	**(3,406)**	**(-1%)**
Total noncurrent	**562,926**	**99%**
Total	**566,087**	**100%**

Consolidated

	2020	
Maturity	**Amount**	**%**
Current	**883,076**	**18%**
2022	**841,926**	**17%**
2023	**1,697,876**	**34%**
2024	**848,197**	**17%**
2024 onwards	**764,915**	**15%**
Noncurrent	**4,152,914**	**83%**
Arrangement costs (noncurrent)	**(35,587)**	**(1%)**
Total noncurrent	**4,117,327**	**82%**
Total	**5,000,403**	**100%**

18.3 *Covenants*

The debentures contracted by the Company and its subsidiaries have covenants and financial guarantees (Unsecured type), whose non-compliance during the calculation period, may result in the early maturity of the contracts.

In the years ended December 31, 2020 and 2019, the Company and its subsidiaries remained within the limits stipulated in the contracts, as follows:

Equatorial Pará

***Covenants* debentures**	**2nd debentures**
1st Net Debt/ EBITDA: <3.5	1.9
2nd EBITDA/Net financial expense: >2.0	6.6

(In thousands of Reais)

Covenants debentures	3rd debentures
1st Net Debt/ EBITDA: <3.5	1.6
2nd EBITDA/Net financial expense: >=1.5	7.4

Covenants debentures	5th debentures
1st Net Debt/ EBITDA : <=4.0	1.6

Equatorial Maranhão

Covenants debentures	7th debentures	8th debentures
1st Net Debt/ EBITDA : <=3.25	0.8	0.8
2nd EBITDA/Net financial expense: >=1.5	25.8	25.8

Equatorial Energia

Covenants debentures	2nd debentures
1st Net Debt/ EBITDA : <=4.0	1.9

Covenants debentures	3rd debentures
1st Net Debt/ EBITDA : <=4.5	1.9

INTESA

Covenants debentures	1st debentures	2nd debentures
1st Net Debt/ EBITDA : <=4.5	3.5	3.5

The Company is the guarantor of the following issues, in which the covenants are calculated on a consolidated basis, as under:

Covenants debentures	SPE 01	SPE 02	SPE 03	SPE 05	SPE 07	SPE 08	EQTL PI
1st Net Debt/ EBITDA : <=4.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9

The indicators (Note 18 – Debentures) faithfully follow the concepts of contractual net debt and contractual EBITDA, as agreed upon and recorded in the contract documents. This information is solely aimed at disclosing the indicators computed in conformity with the definitions hereunder. There are no significant concept differences between the indicators mentioned and the accounting definitions of net debt and EBITDA.

(In thousands of Reais)

19. Taxes and contributions payable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current				
ICMS	-	-	**306,030**	384,563
ICMS financing (a)	-	-	**19,744**	16,008
Federal PRT financing PRT	**2,338**	2,338	**8,223**	2,338
PIS and COFINS	**52**	227	**185,182**	88,027
PIS and COFINS financing	**-**	-	**20,430**	19,911
Social charges and other	**354**	188	**28,976**	27,712
ISS	**19**	2	**21,904**	25,462
Other	-	6	**5,585**	-
Total	**2,763**	2,761	**596,074**	564,352
Noncurrent				
ICMS	**-**	-	**122,956**	122,956
FGTS financing	-	-	**2,024**	2,268
PIS and COFINS financing	**-**	-	**19,825**	39,349
PRT Federal Tax Installment Payment Program	-		**20,977**	
ICMS financing (a)	-	-	**64,188**	67,670
ISS	-	-	**4,395**	3,096
Total	**-**	-	**234,365**	235,339
Total of Taxes and contributions payable	**2,763**	2,761	**830,439**	799,691

(a) Balances referring to subsidiaries Equatorial Pará and Equatorial Alagoas in the amount of R $ 60,846 and R $ 23,086, respectively, at December 31, 2020 (R $ 70,049 and R $ 13,629, respectively, on December 31 2019).

ICMS financing payment schedule

	2020	
	Amount	**%**
Current	**19,744**	**24%**
2021	**16,767**	**20%**
2022	**12,715**	**15%**
2023	**12,347**	**15%**
2024	**12,347**	**15%**
2024 onwards	**10,012**	**11%**
Noncurrent	**64,188**	**76%**
Total ICMS financing	**83,932**	**100%**

(In thousands of Reais)

20. Deferred income and social contribution taxes

20.1 Composition of deferred income and social contribution taxes

	2020	2019
Assets of:		
Tax loss	**108,127**	123,694
Negative basis	**51,122**	26,529
	159,249	150,223
Temporary differences		
Provision for contingencies	**228,885**	159,494
Provision for impairment in trade accounts receivable	**370,504**	205,688
Provision for profit-sharing	**24,148**	15,728
Construction cost – CPC 47/IFRS 15	**2,155,392**	1,362,466
Leases – CPC 06 (R2) /IFRS 16	**2,944**	-
New Replacement Value – VNR	**-**	1,552
Actuarial provision	**26,333**	-
Swap	**4,022**	-
Reimbursable AIC's	**38,868**	-
Intangible assets - Concession- Equatorial Pará Acquisition	**48,473**	-
Nontechnical losses	**-**	24,357
Write-off of property, plant and equipment - Acquisition Equatorial Pará	**-**	24,866
Contingencies and debt charges - Acquisition Equatorial Pará, Equatorial Alagoas and Equatorial Piauí	**62,441**	107,934
Other accounts payable - PLPT - acquisition Equatorial Pará	**-**	9,150
Adjustment to Present Value – AVP	**7,628**	-
Other temporary differences	**28,701**	16,468
	2,998,339	1,940,070
Total	**3,157,588**	2,090,293
Credit liabilities on:		
Temporary differences		
Accelerated depreciation	**(620,462)**	(624,932)
Provision for contingencies	**(20,989)**	-
Funding and restated cost of financial assets	**(292,307)**	(223,577)
SWAP	**(141,868)**	(11,412)
Construction Revenue – CPC 47/IFRS 15	**(3,474,286)**	(2,187,705)
Lease - CPC 06(R2)/IFRS 16	**(2,110)**	(1,130)
Art. 69 of Law 12.973/2014 - Balance of fixed quota	**-**	(16,512)
Adjustment to Present Value – AVP	**(294,904)**	(98,154)
Deferral public agencies	**-**	(9,382)
Revaluation of concession assets	**(41,192)**	(48,564)
Actuarial provision	**(12,985)**	(3,675)
Provision for profit-sharing	**(4,228)**	-
Provision for impairment in Trade accounts receivable	**(105,903)**	-
Reversal of provisions	**-**	(129,044)
Intangible assets - concession - Acquisition Equatorial Pará	**-**	(26,368)
Other	**(62,104)**	(17,224)
Total	**(5,073,338)**	(3,397,679)
Total deferred tax liabilities recorded	**(1,915,750)**	(1,307,386)

(In thousands of Reais)

20.2 Change in deferred taxes

	2019	Net income	2020	Deferred tax assets	Deferred tax liabilities
IRPJ tax losses	123,694	**(15,567)**	**108,127**	**108,127**	**-**
Negative Base – CSLL	26,529	**24,593**	**51,122**	**51,122**	**-**
Provision for contingencies	159,494	**48,402**	**207,896**	**228,885**	**(20,989)**
Provision for pension fund	205,688	**58,913**	**264,601**	**370,504**	**(105,903)**
Provision for profit-sharing	15,728	**4,192**	**19,920**	**24,148**	**(4,228)**
Construction cost – CPC 47/IFRS 15	1,362,466	**792,926**	**2,155,392**	**2,155,392**	**-**
Construction revenue – CPC 47/IFRS 15	(2,187,705)	**(1,286,581)**	**(3,474,286)**	**-**	**(3,474,286)**
Leases – CPC 06 (R02) /IFRS 16	(1,130)	**1,964**	**834**	**2,944**	**(2,110)**
Non-technical losses	24,357	**(24,357)**	**-**	**-**	**-**
Write-off of fixed assets - Acquisition of Equatorial Pará	24,866	**(24,866)**	**-**	**-**	**-**
Debt contingencies and charges - Equatorial Acquisition	107,934	**(45,493)**	**62,441**	**62,441**	**-**
Other accounts payable - PLPT - Pará acquisition	9,150	**(9,150)**	**-**	**-**	**-**
Swap	(11,412)	**(126,434)**	**(137,846)**	**4,022**	**(141,868)**
Actuarial provision	8,692	**4,656**	**13,348**	**26,333**	**(12,985)**
Others	(17,224)	**(41,363)**	**(62,104)**	**-**	**(62,104)**
Deferral public agencies	(9,382)	**9,382**	**-**	**-**	**-**
Article 69 of Law No. 12973/2014 – Fixed quota balance	(16,512)	**16,512**	**-**	**-**	**-**
Funding and restated cost of financial assets	(222,025)	**(70,282)**	**(292,307)**	**-**	**(292,307)**
Accelerated depreciation	(624,932)	**4,470**	**(620,462)**	**-**	**(620,462)**
Other temporary differences	16,468	**12,233**	**28,701**	**28,701**	**-**
Adjustment to present value - AVP	(98,154)	**(189,122)**	**(287,276)**	**7,628**	**(294,904)**
Intangible assets - Concession - Acquisition of Equatorial Pará	(26,368)	**74,841**	**48,473**	**48,473**	**-**
Revaluation of concession assets	(48,564)	**7,372**	**(41,192)**	**-**	**(41,192)**
Reversal of provisions	(129,044)	**129,044**	**-**	**-**	**-**
Reimbursable AIC's	-	**38,868**	**38,868**	**38,868**	**-**
Total	(1,307,386)	**(604,847)**	**(1,915,750)**	**3,157,588**	**(5,073,338)**

	2018	Net income	Other comprehensive income	Equity	Acquired in business combinations	2019	Deferred tax assets	Deferred tax liabilities
IRPJ tax losses	183,017	(59,323)	-	-	-	123,694	123,694	-
Negative Base – CSLL	43,815	(17,286)	-	-	-	26,529	26,529	-
Provision for contingencies	78,003	23,033	-	-	58,458	159,494	159,494	-
Provision for impairment in trade accounts receivable	175,903	(7,705)	-	-	37,490	205,688	205,688	-
Financial asset indexation	(136,491)	(85,534)	-	-	-	(222,025)	-	(222,025)
Provision for pension fund	14,872	(2,505)	-	-	-	12,367	13,705	(1,338)
Provision for profit-sharing	13,601	2,127	-	-	-	15,728	15,728	-
Construction cost – CPC 47/IFRS 15	199,300	1,077,174	-	-	-	1,276,474	1,276,474	-
Construction revenue – CPC 47/IFRS 15	(330,433)	(1,772,005)	-	-	-	(2,102,438)	-	(2,102,438)
Leases – CPC 06 (R02) /IFRS 16	-	(636)	-	-	-	(636)	-	(636)
Non-technical losses	-	-	-	-	24,357	24,357	24,357	-
Write-off of fixed assets - Acquisition of Equatorial Pará	28,143	-	-	-	-	28,143	28,143	-
Debt contingencies and charges - Equatorial Acquisition	40,703	18,773	-	48,522	-	107,998	107,998	-
Other accounts payable - PLPT – Equatorial Pará acquisition	9,150	-	-	-	-	9,150	9,150	-
Swap	(43,362)	31,950	-	-	-	(11,412)	-	(11,412)
Actuarial provision	-	-	(3,675)	-	-	(3,675)	-	(3,675)
Others	(14,366)	29,590	-	-	(15,844)	(620)	-	(620)
CVA deferral	-	177,303	-	-	(177,303)	-	-	-
Deferral public agencies	-	-	-	-	(9,382)	(9,382)	-	(9,382)
IFRS 15	-	725	-		-	725	725	-
IFRS 16	-	(494)	-	-	-	(494)	-	(494)
Article 69 of Law No. 12973/2014 – Fixed quota balance	-	-	-	-	(16,512)	(16,512)	-	(16,512)
Deferred assets write-off	-	(129,044)	-	-	-	(129,044)	-	(129,044)
Arrangement costs and financial asset indexation	-	-	-	-	-	-	-	-
Accelerated depreciation	(554,313)	(70,619)	-	-	-	(624,932)	-	(624,932)
New Replacement Value - VNR	-	-	-	-	-	-	-	-
Other temporary differences	-	-	-		-	-	-	-
Adjustment to present value - AVP	(109,924)	11,821	-	-	(51)	(98,154)	-	(98,154)
Intangible assets - Concession - Acquisition of Equatorial Pará	(29,845)	-	-	-	-	(29,845)	-	(29,845)
Revaluation reserve	(57,579)	9,015	-	-	-	(48,564)	-	(48,564)
Total	(489,806)	(763,640)	(3,675)	48,522	(98,787)	(1,307,386)	1,991,685	(3,299,071)

20.3 Expected recovery - Carryforward of tax loss and negative base

Based on technical feasibility studies, subsidiary management estimates that these tax credits of the indirect subsidiary Equatorial Pará will be completed by 2021, of indirect subsidiaries SPEs 01 to 08 by 2024 and of subsidiary INTESA until 2021, as shown below:

(In thousands of Reais)

Equatorial Pará

Prospect of realization	2020
Deferred taxes to be realized (*)	66,339

At December 31, 2020 Equatorial Pará had a realizable sum of R$ 66,339 in deferred taxes on tax losses and negative base, which corresponds do R$ 39,810 e R$ 26,529. Realization projections for deferred income tax assets considered SUDAM tax benefits of a 75% reduction in IRPJ rate, effective until 2027.

A technical feasibility study, which includes the recovery of deferred taxes and is revised annually, was prepared by the subsidiary, reviewed by the Audit Committee and approved by the Board of Directors of Equatorial Pará on March 24, 2021 referring to open balances at December 31, 2020.

(*) Information examined by the Supervisory Board and approved by management of the subsidiary on an annual basis.

SPEs 01 to 08

Prospect of realization	2021	2022	2023	2024	2025	Total
Deferred taxes to be realized	8,761	31,053	27,854	22,469	1,354	91,491

At December 31, 2020 indirect subsidiaries SPEs 01 to 08 had a realizable sum of R$ 91,491 in deferred taxes on tax losses and negative base.

INTESA

Prospect of realization	
Deferred taxes to be realized in 2020	1,419

At December 31, 2020 indirect subsidiary INTESA had a realizable sum of R$ 1,419 in deferred taxes on tax losses and negative base.

20.4 Reconciliation between the income and social contribution tax expense

The reconciliation of expenses, calculated by applying the relevant tax rates and the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expense charged to profit or loss during the years ended December 31, 2020 and 2019, is shown below:

Parent Company	2020		2019	
	IRPJ	CSLL	IRPJ	CSLL
Profit before income (IRPJ) and social contribution (CSLL) taxes	2,975,089	2,975,089	2,415,630	2,415,630
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	743,772	267,758	603,908	217,407
Additions:				
Provision for profit-sharing	-	-	123	-
Equity income	71,224	25,641	152,172	54,826
Other provisions	2,851	1,026	2,435	877
Total additions	74,075	26,667	154,730	55,703
Exclusions:				
Equity income	(833,486)	(300,056)	(796,042)	(286,575)
Other provisions	(121)	(43)	(91)	(33)
Total exclusions	(833,607)	(300,099)	(796,133)	(286,608)
Tax deductibility (limit mandated by law)	(15,760)	(5,674)	(37,495)	(13,498)
Total IRPJ and CSLL in the year	-	-	-	-

Consolidated	2020		2019	
	IRPJ	CSLL	IRPJ	CSLL
Profit before income (IRPJ) and social contribution (CSLL) taxes	4,358,302	4,358,302	3,680,059	3,680,059
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	1,089,576	392,247	920,015	331,205
Additions:				
Provision for contingencies	9,718	3,499	93,250	33,569
Revaluation of assets	-	-	6,629	2,386
Provision for impairment in trade accounts receivable	462,812	166,613	686,736	247,225
Adjustment to present value	17,076	6,147	197,116	70,961
Swap variation	2,957	1,064	24,645	8,872
Equity equivalence	-	-	152,172	54,826
New replacement value-VNR	28,128	10,125	-	-
IRPJ and CSLL on revaluation reserves	5,421	1,951	-	-
Provision for profit-sharing	1,225	441	2,731	939
Fines and penalties for violations	3,555	1,079	305	110
Leases - CPC 06 (R2)/IFRS 16	1,969	709	1,585	571
Deferred CVA	25,617	9,222	(7,191)	(2,589)
Construction cost– CPC 47/IFRS 15	384,166	138,324	872,969	314,265
Accelerated depreciation	35,851	-	25,252	-
Addition article 168 of Revenue Procedure (IN) No. 1700/2017 - Concession Contract	74,910	26,968	-	-
Apropriação receita órgão público- IN 68/82	-	-	(2,967)	(1,068)
Other provisions	164,174	58,031	101,690	36,441
Total additions (B)	1,217,579	424,173	2,154,922	766,508
Exclusions:				
Provision for contingencies	(28,889)	(10,400)	(45,498)	(16,379)
Expected allowance for doubtful accounts	(515,800)	(185,687)	(733,826)	(264,178)
Pesquisa e desenvolvimento e eficiência energética	(4,207)	(1,515)	(5,499)	(1,980)
Adjustment to present value	(7,920)	(2,851)	(167,751)	(60,390)
Construction revenue– CPC 47/IFRS 15	(842,875)	(303,436)	(1,400,065)	(504,021)
CVA deferral	-	-	113,436	40,837
Equity equivalence	-	-	(140,706)	(50,652)
Arrangement costs and financial asset indexation	(1,016)	(366)	(25,714)	(9,257)
Accelerated depreciation	(31,381)	-	(95,871)	-
VNR – New Replacement Value	(73,259)	(26,373)	1,141	411
SWAP variation	(93,004)	(33,481)	(45,842)	(16,503)
P&D Incentive	(2,406)	(866)	(1,068)	(384)
Other provisions	(85,278)	(30,498)	(76,107)	(26,690)
Total Exclusions (C)	(1,686,035)	(595,473)	(2,623,370)	(909,186)
Offsetting tax loss and negative basis	(71,843)	(35,469)	(96,994)	(30,953)
PAT Incentive	(6,214)	-	(6,053)	-
Incentive for extended maternity leave	(268)	-	(211)	-
Total offsetting (D)	(78,325)	(35,469)	(103,258)	(30,953)
IRPJ - government grants	(422,471)	-	(305,096)	-
Total other deductions (E)	(422,471)	-	(305,096)	-
Current IRPJ and CSLL in P&L for the year (A+B+C+D+E)	120,324	185,478	43,213	157,574
Deferred IRPJ and CSLL in P&L for the year	445,440	159,407	584,623	179,017
Total	445,440	159,407	584,623	179,017
Total current and deferred IRPJ and CSLL for the year	565,764	344,885	627,836	336,591
Effective rate with deferred tax assets	13%	8%	17%	9%

(In thousands of Reais)

20.5 Breakdown of PIS and COFINS deferred

Liabilities	2020	2019
Deferred PIS on construction revenue (a)	**171,119**	122,909
Deferred COFINS on construction revenue (a)	**787,722**	563,050
PIS on CVA	**-**	28,449
COFINS on CVA	**-**	131,038
Other deferred taxes	**26,004**	15,057
Total deferred tax liabilities	**984,845**	860,503

(i) The deferral of PIS and COFINS is related to 9.25% of construction revenue. The settlement of this deferred obligation will occur as the subsidiaries Equatorial Transmissão and INTESA receive the counterpart determined in the concession contract.

21 Dividends payable (Individual)

Pursuant to the Company's articles of association, shareholders are entitled to mandatory minimum dividend of 25% on net income, adjusted in accordance with the legislation in force and deducted of the allocation amounts established by the General Meeting.

Dividends were calculated as follows:

	2020	2019
Net income for the year	**2,975,089**	2,415,630
(-) Legal reserve	**(148,754)**	(120,781)
(-) Unrealized income reserve	**-**	(1,004,755)
Adjusted net income	**2,826,335**	1,290,094
Mandatory minimum dividends	**706,584**	322,523
(-) Unrealized income reserve	**(159,013)**	-
Mandatory minimum dividends	**547,571**	322,523
Additional dividends proposed	**1,127**	736
Dividends proposed	**548,698**	323,259

The Board of Directors approved the declaration of dividends in the Board of Directors' meeting held on March 24, 2021.

Changes in dividends payable are as follows:

Balance at December 31, 2018	**190,701**
Additional dividends - 2018	889
Dividends paid	(191,532)
Proposed dividends - 2019	322,523
Balance at December 31, 2019	**322,581**
Additional dividends - 2019	**736**
Dividends paid	**(323,291)**
Proposed dividends - 2020	**547,571**
Balance at December 31, 2020	**547,597**

Article 193 of Law No. 6,404/76 establishes that "out of net income for the year, 5% (five per cent) will be applied, before any other allocation, to recording the legal reserve". In addition, article 195-A of Law No. 6,404/76 establishes that only the Tax Incentive Reserve may be excluded from the mandatory dividend calculation base. As such, in a preliminary analysis, considering that "out of net income for the year, 5% (five per cent) will be applied, before any other allocation, to recording the legal reserve" and that only the Tax Incentive Reserve may be excluded from the mandatory dividend calculation base, exclusion of the balance intended for the tax incentive reserve from the legal reserve calculation base would indicate an error by the companies. However, tax incentives must be deducted from the legal reserve base, since such incentives must be fully allocated to setting up the tax incentive reserve, under penalty of being considered a diverging allocation as provided for in Decree Law No. 1,598/77, amended by Law No. 12,973/13 (which revoked articles of Law No. 11,941/09).

22 Profit sharing

The Company's and its subsidiaries' profit sharing program is of a corporate nature and linked to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and various other operating and financial indicators of the subsidiaries and of the Company. The program comprises assessment of the indicators relating to the CEO, directors, managers, executives and employees, and has been evolving over the years in order to promote a higher level of employee engagement in improving the Company's and its subsidiaries' operating income. As at December 31, 2020, provision for profit sharing in the Company amounted to R$ 18,848 (R$ 17,466 at December 31, 2019) and the balance provisioned together with Company subsidiaries amounted to R$ 127,076 (R$ 132,664 at December 31, 2019).

23 Payables under the judicial reorganization plan - Equatorial Pará

On December 01, 2014, the Belém 13th Civil Court Judge decreed, based on Articles 61 and 63 of Law 11,102/05, after a decision by the Court Administrator and the Public Prosecutor, the end of the subsidiary Equatorial Pará in-court reorganization plan. This sentence puts an end to the court's follow-up stage of compliance with the plan and removes legal restrictions on the recovery. The recovery plan negotiated and approved by the creditors during the proceedings remains fully valid and enforceable, which means that the special conditions agreed on for liabilities will remain in effect. These liabilities will only end on their full compliance.

The decision to terminate is taking effect normally, but has not been definitely judged yet as it has been the subject of two appeals, filed by creditors Petróleo Brasileiro S/A and Pine S/A. In November 2017 the subsidiary Equatorial Pará undersigned an agreement with Banco Pine, which ended up in the withdrawal of its appeal and the closing sentence. The other appeal relates solely to payment of interest and inflation updating in compliance with the plan's liabilities.

Pursuant to the matter, we believe that this appeal's likelihood of success of is remote, as supported by a Legal Opinion from the legal counsel in charge of the suit. The subsidiary Equatorial Pará estimates that the matter will be considered within a period of 24 to 36 months, when conclusion of the court recovery will be definitely judged.

(In thousands of Reais)

23.1 Debt breakdown

	2020	2019
Current		
Inter-company	**3,566**	1,428
Financial creditors (a)	**26,708**	20,847
Total	**30,274**	22,275
Noncurrent		
Inter-company	**83,853**	83,669
Financial creditors (a)	**1,111,121**	1,050,581
(-)Adjustment to present value (b)	**(264,368)**	(284,626)
Total	**930,606**	849,624
Total	**960,880**	871,899

(a) This is the group of creditors which include: (i) public or private financial institutions; (ii) holders of credits deriving from financial or bank transactions, including but not limited to Bonds and derivatives credits, which may or may not underlie receivables; e

(b) As of December 31, 2020, the balance consists of: R$ 243,571 of loans and financing, R$ 20,797 inter-company and R$ 3,486 related parties (R$ 262,391 of loans and financing and R$ 22,234 inter-company as of December 31, 2019).

The schedule of long-term payments under in-court reorganization relief is as follows:

	2020	
Maturity	**Amount**	**%**
Current	**30,274**	3%
2021	-	0%
2022	**26,255**	3%
2023	**24,067**	2%
2023 onwards	**1,144,652**	118%
Subtotal	**1,194,974**	123%
(-) Adjustment to present value (Noncurrent)	**(264,368)**	(27%)
Noncurrent	**930,606**	97%
Total	**960,880**	100%

23.2 Changes in amounts payable as per in-court recovery plan

	2019	Interest and charges	Monetary and exchange variance	Amortization	Adjustment to present value	2020
Intercompany	62,861	**5,228**	**-**	**(2,907)**	**1,438**	**66,620**
Financial creditors	809,038	**49,973**	**60,349**	**(43,920)**	**18,820**	**894,260**
Total	871,899	**55,201**	**60,349**	**(46,827)**	**20,258**	**960,880**

(In thousands of Reais)

	2018	Interest and charges	Monetary and exchange variance	Amortization	Adjustment to present value	Write-offs	2019
Operational creditors	28,665	-	-	(1,041)	13,874	(41,498)	-
Intercompany	58,667	4,890	-	(2,283)	1,587	-	62,861
Financial creditors	744,038	57,040	17,753	(28,611)	18,818	-	809,038
Total	831,370	61,930	17,753	(31,935)	34,279	(41,498)	871,899

24 Sector charges CCC – Equatorial Pará

The Fossil Fuel Consumption Account was created by Decree 73102 on November 7, 1973 for the purpose of consolidating the apportionment of the fuel consumption costs of thermal power generation in islanded systems, especially in the North of Brazil. Act 12111 was promulgated on December 9, 2009 to provide reimbursement for electric power generation costs in Islanded Systems, including the cost of contract power supply and contract power related to own generation for servicing power distribution utilities, power sector charges and taxes and capital expenditure, which reimbursement is made through the "CCC" account. Among the sums refunded by the Fossil Fuel Consumption Account - CCC are taxes (ICMS, PIS and COFINS) not offset on fuel and electricity purchases.

As of December 31, 2020, Equatorial Pará has a credit at CCC of R$ 105,883 (R$ 105,467 at December 31, 2019). The credits above are registered at their historical amount. No records of charges for late pass-throughs of costs to customers were recorded.

Among the sums refunded by the Fossil Fuel Consumer Account - CCC are taxes (ICMS, PIS and COFINS) not offset on fuel and electricity purchases, but as provided for in §§10 and 11 of Art. 36:

> *"Beneficiaries of CCC and the Coal Sub-account will be entitled to a cost refund arising from non-offset ICMS and PIS/PASEP and COFINS credits related to the monthly expenditures with fuels and contracts calculated based on energy actually generated and measured in the SCD, pursuant to the terms and conditions defined in this Resolution.*
>
> *§ 10. The monthly differences in refunds of non-recovered tax credits from one fiscal year will be calculated by May 15 of the year following the accrual year, considering that each monthly installment should be updated using the respective IPCA index.*
>
> *§ 11. CCEE shall establish in the Sectoral Accounts Procedure the appropriate procedures for refunding to CCC or to the beneficiary of the differences found in the use of ICMS and of PIS/PASEP and COFINS credits for the preceding fiscal year". (ANEEL REN 801/2017).*

The subsidiary Equatorial Pará recorded a liability related to these reimbursable taxes. At December 31, 2020, the Company restated R$ 12,102 relating to the refund of these taxes credited on the purchase of fuel to generate electricity in isolated systems. As of December 31, 2020, the Company stated an amount of R$ 372,241 (R$ 360,139 as of December 31, 2019).

(In thousands of Reais)

Nonetheless, Eletrobras has not defined a specific procedure for the refund of such taxes, even when notified by Equatorial Pará. Hence on September 29, 2016, by means of Correspondence no. 530/2016 - SFF (Superintendence of Economic and Financial Inspection), ANEEL started an inspection procedure on funds managed by Eletrobrás, and therefore these sums are awaiting this inspection's conclusion.

Although ANEEL has not determined the terms for the end of the inspection, Equatorial Pará estimates that the inspection proceedings will be finalized between 2021 and 2022, and concluded that there is no expectation of loss of these amounts.

	2020	2019
Noncurrent		
CCC Sector charges	372,241	360,139
(-) Acquisition of CCC fuel	(105,883)	(105,467)
Net effect on statement of financial position	266,358	254,672

25 Provision for civil, tax, labor and regulatory claims (Consolidated)

The Company and its subsidiaries figure as defendants in legal and administrative proceedings in various courts and government agencies, involving tax, labor, civil and other matters arising from their ordinary course of business.

Based on the information provided by their legal advisors, on the review of unsettled litigation, and on past experience in case of labor disputes, the subsidiaries' management set up a provision at an amount considered sufficient to cover estimated probable losses on existing proceedings, as follows:

	2020		2019	
	Provision	Judicial deposits	Provision	Judicial deposits
Civil	**704,700**	**107,101**	755,197	154,900
Tax	**248,230**	**64,758**	236,299	56,790
Labor	**247,773**	**81,992**	294,629	90,537
Regulatory	**6,292**	**-**	6,122	-
Total	**1,206,995**	**253,851**	1,292,247	302,227
Current	**215,811**	**3,567**	254,775	3,052
Noncurrent	**991,184**	**250,284**	1,037,472	299,175

Changes in proceedings in the year (Consolidated)

	2019	Additions (1)	Usage (2)	Reversal of provision (3)	Indexation (4)	2020
Civil	755,197	**76,669**	**(79,560)**	**(52,628)**	**5,022**	**704,700**
Tax	236,299	**8,542**	**(1)**	**(753)**	**4,143**	**248,230**
Labor	294,629	**20,489**	**(11,866)**	**(44,900)**	**(10,579)**	**247,773**
Regulatory	6,122	**-**		**-**	**170**	**6,292**
Total	1,292,247	**105,700**	**(91,427)**	**(98,281)**	**(1,244)**	**1,206,995**

(In thousands of Reais)

	2018	Business acquisition	Additions (1)	Usage (2)	Reversal of provision (3)	Indexation (4)	2019
Civil	419,332	163,380	210,992	(133,925)	(86,994)	182,412	755,197
Tax	205,797	13,984	13,491	(4)	(4,245)	7,276	236,299
Labor	176,207	179,633	102,123	(175,272)	(62,825)	74,763	294,629
Regulatory	8,946	-	-	(3,372)	-	548	6,122
Total	810,282	356,997	326,606	(312,573)	(154,064)	264,999	1,292,247

(1) Contingencies provisioned for in the year;
(2) Effective expense (payments) on judicial contingencies;
(3) Reversals made in the year; and
(4) Monetary restatement.

Civil

The Company and its subsidiaries are defendants in 41,207 civil proceedings as of December 31, 2020 (45,001 claims as of December 31, 2019), including 15,197 cases being heard by special courts (16,099 as of December 31, 2019) and largely relating to claims for property and moral damages as well as reimbursement of amounts paid by consumers.

The most significant civil proceedings involve claims for damages relating to injuries involving the distribution system, power outages, deaths from electric shock or damages arising from the termination of contracts with suppliers.

In addition to the processes provisioned for, other civil contingencies amounting to R$ 691,799 as of December 31, 2020 (R$ 4,589,040 at December 31, 2019) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions haven't been recognized.

Civil contingencies (probable chance of defeat)	**2020**	**2019**
Failure in supply	**90,974**	100,350
Incorporation of grid	**1,463**	4,227
Reimbursement of works	**8,168**	21,827
Death by electrocution	**87,571**	109,720
Incorrect collection	**73,163**	133,766
Contractual adjustment	**6,911**	6,058
Questioned fraud	**40,391**	44,531
Collection	**98,991**	1,270
Undue cut-off	**10,729**	12,491
Accident involving a third party	**33,825**	44,463
Lack of service	**10,386**	18,466
Breach of contract	**115,196**	121,851
SPC/SERASA	**2,500**	2,775
Fire	**3,747**	5,872
DNAEE Ordinance	**3,362**	2,308
Regulatory	**88,095**	88,083
Other	**29,228**	37,139
Total	**704,700**	755,197

(In thousands of Reais)

Civil contingencies (possible chance of defeat)	**2020**	**2019**
Indemnity for material damage (a)	**-**	3,932,397
Failure in supply	**56,773**	570
Death by electrocution	**17,168**	13,258
Adjusting grid	**30,000**	30,000
Accident involving a third party	**6,279**	5,209
Tenders	**2,609**	2,631
Breach of contract	**249,257**	253,534
Relisting of public lighting	**8,954**	7,633
Fire	**27,922**	27,922
DNAEE Ordinance	**12,330**	12,330
Incorrect collection	**128,332**	178,725
Questioned fraud	**11,847**	1,681
Undue cut-off	**2,894**	2,045
Lack of service	**2,024**	6,455
Regulatory	**117,667**	92,097
Other	**17,743**	22,553
Total	**691,799**	4,589,040

(a) Subsidiary Equatorial Alagoas figures as defendant in a public civil action under No. 0038260-55.2015.8.07.0001 (remote risk, at December 31, 2020, amounting to R$ 3,896,213), initially in the sphere of the 18th Civil Court of Brasília, filed by the Brazilian Consumers' Association (ANDECO) against Eletrobras Amazonas, Eletrobras Acre, Equatorial Alagoas, Celg, Equatorial Piauí, Eletrobras Rondônia and Eletrobras Roraima, amounting to R$ 27,079,631, which results from the sum of the amounts allegedly payable to the plaintiffs. The arbitrated/alleged amount specifically for Equatorial Alagoas is historically of R$ 1,948,106.

This action discusses the apportionment of non-technical loss amounts in the tariff and requests that the amounts paid from 2010 to 2014 be refunded in double to regular consumers. The plaintiff also requests annulment of all ANEEL resolutions that allow non-technical and technical losses to be included in invoices.

Contestation was regularly filed and the preliminary request was denied by the court that originally received the claim. Subsequently, this procedure was assigned to the 21st Federal Court of Brasília, under No. 0049984-11.2016.4.01.3400, which issued an initial decision maintaining the acts practiced until then in the civil sphere and determining that ANEEL and the federal government be legally required to submit their defense, followed by the plaintiff's reply.

On October 08, 2019, the requests were deemed invalid and ANDECO filed motions for clarification, which were judged invalid in January 2020. An appeal lodged by ANDECO was also rejected. A final unappealable decision was issued and this action was definitively closed on September 30, 2020.

Tax

The Company and its subsidiaries are defendants in 627 tax claims as of December 31, 2020 (571 as of December 31, 2019) amounting to R$ 248,230 (R$ 236,299 as of December 31, 2018).

In addition to the proceedings provisioned for, as mentioned earlier, other tax contingencies amounting to R$ 211,283 (R$ 211,090 at December 31, 2019) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions haven't been recognized.

Tax contingencies (probable chance of defeat)	**2020**	**2019**
ISS	**541**	277
ICMS	**35,897**	31,236
Tax debit	**1,754**	1,749
PIS/COFINS	**60,655**	53,102
Economic plans	**146,745**	146,745
Other	**2,638**	2,987
Total	**248,230**	236,299

(In thousands of Reais)

Tax contingencies (probable chance of defeat)	2020	2019
PIS/COFINS	**7,212**	7,227
ISS	**2,720**	2,720
ICMS	**177,022**	176,199
ICMS, PIS and COFINS	**1,424**	1,424
ICMS, TUSD and TUST	**350**	350
CSLL, PIS and COFINS	**377**	377
Fine for infraction	**7,783**	7,833
Other	**14,395**	14,960
Total	**211,283**	211,090

Labor

The labor liabilities as of December 31, 2020 of the Company and its subsidiaries currently consist of 4,010 claims (4,110 claims at December 31, 2019) or R$ 247,773 (R$ 294,629 at December 31, 2019) brought by former employees against the Company and its subsidiaries, with claims ranging from overtime, hazardous work bonuses, salary equality and/or reclassification, occupational diseases/reintegration, CIPA stability and other claims, as well as claims brought by the former employees of service providers (subsidiary liability) largely seeking severance pay.

In addition to the proceedings provisioned for, other labor contingencies amounting to R$ 90,999 (R$ 78,138 at December 31, 2019) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions haven't been recognized.

Labor contingencies (probable chance of defeat)	2020	2019
Overtime	**20,021**	28,452
Implementation positions, career and salaries plan	**10,755**	17,814
Joint liability	**12,612**	16,047
Occupational accidents	**16,233**	17,922
Occupational Illnesses	**2,920**	3,680
Bonus	**1,222**	1,340
Returning to employment	**5,658**	7,668
Meal allowance	**97,482**	167
Heavy work allowance	**82**	117,084
Public procurements	**3,893**	3,722
FGTS	**17,856**	18,650
Health care plan	**1,564**	2,081
Voluntary severance	**4,047**	4,112
Severance pay	**15,041**	7,887
Life insurance	**791**	1,277
Health hazard allowance	**6,033**	4,546
Pain and suffering	**5,186**	5,120
Salary parity	**861**	1,848
PDI – Encouraged Redundancy Program	**3,962**	5,817
Other	**21,554**	22,063
Total	**247,773**	294,629

(In thousands of Reais)

Labor contingencies (possible chance of defeat)	**2020**	**2019**
Difference Bresser's Plan	**8,800**	-
Overtime	**6,600**	2,067
Joint liability	**43,253**	44,633
Occupational accidents	**4,971**	4,751
Occupational Illnesses	**1,155**	872
Returning to employment	**1,860**	566
Meal allowance	**669**	637
FGTS	**355**	399
Salary parity	**4,761**	4,494
Severance pay	**1,836**	1,164
Bonus	**1,356**	400
Dismissal for cause	**881**	10,300
Pain and suffering	**4,617**	4,205
Other	**9,885**	2,940
Total	**90,999**	78,138

Regulatory

As of December 31, 2020 the amounts of R$ 6,292 (R$ 6,122 at December 31, 2019) correspond to the probable penalties to be applied against the subsidiary Equatorial Maranhão, referring to ANEEL's Notification and Notice of Infringement Terms, as well as the Border Measurement penalty in the CCEE.

26 PIS/COFINS to be reimbursed to consumers

On March 2017, the Federal Supreme Court ("*Supremo Tribunal Federal – STF")* published the Judgment of the Appeal to STF, in a general repercussion, in a manner favorable to the subsidiary Equatorial Maranhão position, which also obtained a favorable court decision with final and unappealable decision in October 2018, and to Equatorial Pará in February 2020, and to direct subsidiaries Equatorial Piauí in October 2018 and Equatorial Alagoas in July 2019.

Equatorial Maranhão

Based on its legal counsel's opinion, at December 31, 2018 the Company's subsidiary stated: (i) a recoverable assets regarding PIS/COFINS for R$ 756,499; (ii) a R$ 580,587 liability related to consumer refunds; (iii) R$ 77,177 as a deduction from gross revenues in connection with PIS/COFINS; and (iv) R$ 98,685 in finance income, also subject to R$ 4,589 PIS/COFINS.

At December 31, 2020 the Company's subsidiary made an addition to this entry with regard to updating the SELIC interest rate, stating: (i) assets of R$ 14,058 (R$ 34,153 at December 31, 2019); (ii) a R$ 15,701 (R$ 23,005 at December 31, 2019) liability related to consumer refunds; (iii) R$ 4,758 (R$ 6,631 at December 31, 2019) as a deduction from gross revenues with regard to PIS/COFINS; and (iv) R$ 3,114 (R$ 4,517 at December 31, 2019) as finance income, which was subject to R$ 145 (R$ 210 at December 31, 2019) in PIS/COFINS.

At December 31, 2020, this subsidiary offset credits approved by the Brazilian IRS amounting to R$ 253,246 against income and social contribution taxes, PIS, COFINS and federal withholdings by means of E-Requests for Federal Tax Recovery, Refund or Offset (PER/DCOMP).

Equatorial Pará
Based on the opinion of its legal advisors, at March 31, 2020, the Company's subsidiary set up: (i) assets related to PIS/COFINS recoverable of R$ 935,138; and (ii) liabilities of R$ 935,138 related to reimbursement to its consumers. At December 31, 2020, the Company's subsidiary made a supplement to this entry, referring to the adjustment by reference to the SELIC rate, establishing: (i) assets of R$ 13,413 and (ii) liabilities of R$ 13,413.

At December 31, 2020, this subsidiary offset credits approved by the Brazilian IRS amounting to R$ 210,071 against income and social contribution taxes, PIS, COFINS and federal withholdings by means of E-Requests for Federal Tax Recovery, Refund or Offset (PER/DCOMP).

Equatorial Piauí
Based on its legal counsel's opinion, at December 31, 2018 the Company's subsidiary recorded: a PIS/COFINS asset for R$ 435,231, a R$ 418,741 liability related to consumer refunds, R$ 8,227 as a deduction from gross revenues in connection with PIS/COFINS and R$ 8,263 in financial income, also subject to R$ 384 in PIS/COFINS. At December 31, 2020 the Company's subsidiary made an addition to this entry with regard to updating the SELIC interest rate, stating assets of R$ 8,855 (R$ 27,300 at December 31, 2019), a R$ 8,716 (R$ 26,854 at December 31, 2019) liability related to consumer refunds, and R$ 140 (R$ 8,446 at December 31, 2019) as financial income, which was also subject to R$ 6 in PIS/COFINS (R$ 21 at December 31, 2019).

At December 31, 2020, this subsidiary offset credits approved by the Brazilian IRS amounting to R$ 70,425 against income and social contribution taxes, PIS, COFINS and federal withholdings by means of E-Requests for Federal Tax Recovery, Refund or Offset (PER/DCOMP).

Equatorial Alagoas
Based on the opinion of its legal advisors, at December 31, 2019, the Company's subsidiary set up: asset related to PIS/COFINS in connection with reimbursement to its consumers, both in the amount of R$ 290,234. At December 31, 2020, the Company's subsidiary restated the amount by reference to the SELIC benchmark rate, setting up an asset and liability of R$ 9,002. At December 31, 2020, this subsidiary offset credits approved by the Brazilian IRS amounting to R$ 98,309 (R$ 0 at December 31, 2019) against income and social contribution taxes, PIS, COFINS and federal withholdings by means of E-Requests for Federal Tax Recovery, Refund or Offset (PER/DCOMP.

The assets of the subsidiaries Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas include credits against the federal tax authorities since the case was filed. The liability was constituted considering that the subsidiaries Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas pass on to their consumers the tax effects on the electricity bills of the last 10 years, in accordance with the provisions of the Brazilian Civil Code. Therefore, after the credits are approved by the Brazilian IRS and effectively recorded, also considering any definition of refund mechanisms by ANEEL, such credits are expected to be realized within approximately 20 and 28 months and for indirect subsidiaries Equatorial Maranhão and Equatorial Pará, respectively, and 156 months for direct subsidiary Equatorial Piauí.

(In thousands of Reais)

	2020				
	Equatorial Maranhão	Equatorial Pará	Equatorial Piauí	Equatorial Alagoas	Consolidated
Assets					
Current	**326,525**	**348,334**	**211,526**	**200,926**	**1,087,311**
Non-Current	**224,833**	**390,146**	**189,435**	**-**	**804,414**
PIS and COFINS recoverable	**551,358**	**738,480**	**400,961**	**200,926**	**1,891,725**
Liabilities					
Current	**-**	**-**	**-**	**-**	**-**
Non-Current	**619,293**	**948,552**	**454,311**	**299,236**	**2,321,392**
PIS/COFINS to be reimbursed to consumers	**619,293**	**948,552**	**454,311**	**299,236**	**2,321,392**
Net income					
(-) Deductions from revenue					
PIS/COFINS consumer reimbursable	**(4,758)**	**-**	**-**	**-**	**(4,758)**
(+) Financial revenue					
PIS/COFINS consumer reimbursable	**3,114**	**-**	**140**	**-**	**3,254**
(-) PIS/COFINS on financial revenue	**(145)**	**-**	**(6)**	**-**	**(151)**
Net effect on P&L before income and social contribution taxes	**(1,789)**	**-**	**134**	**-**	**(1,655)**

	2019			
	Equatorial Maranhão	Equatorial Piauí	Equatorial Alagoas	Consolidated
Assets				
Current	56,233	742	19,024	75,999
Non-Current	734,368	461,789	271,210	1,467,367
PIS and COFINS recoverable	790,601	462,531	290,234	1,543,366
Liabilities				
Current	56,233	742	19,024	75,999
Non-Current	547,359	444,853	271,210	1,263,422
PIS/COFINS to be reimbursed to consumers	603,592	445,595	290,234	1,339,421
Net income				
(-) Deductions from revenue				
PIS/COFINS consumer reimbursable	6,631	-	-	6,631
(+) Financial revenue				
PIS/COFINS consumer reimbursable	4,517	8,709	-	13,226
(-) PIS/COFINS on financial revenue	(210)	(405)	-	(615)
Net effect on P&L before income and social contribution taxes	10,938	8,304	-	19,242

(In thousands of Reais)

PIS and COFINS to be recovered (Consolidated)

	2020	
	Amount	**%**
Current (a)	**1,087,311**	**57%**
2021	**-**	**0%**
2022	**804,414**	**43%**
Noncurrent	**804,414**	**43%**
Total	**1,891,725**	**100%**

(a) As of December 31, 2020, the Company's subsidiaries have credits validated by the RFB and the balance classified in current assets in the amount of R$ 1,087,311 (Equatorial Maranhão R$ 326,525, Equatorial Pará R$ 348,334, Equatorial Piauí R$ 211,526 and Equatorial Alagoas R$ 200,926) will be realized by offsetting the following federal taxes until the next year: IRPJ and CSLL taxes, PIS and COFINS and federal tax withholdings.

27 Equity

27.1 Share capital

Capital at December 31, 2020 is R$ 3,489,736 (R$ 2,741,931 at December 31, 2019). The authorized capital corresponds to 1,500,000,000 shares and its composition by class of shares, with no par value, and major shareholders is as follows:

Shareholders	ON	%
Squadra Investimentos	99,380,285	9.84%
Opportunity	97,634,195	9.66%
BlackRock	57,299,125	5.67%
Schroder	50,878,433	5.03%
CPPIB	50,539,100	5.00%
Other Non-controlling interests (NCI)	654,779,947	64.80%
Total	**1,010,511,085**	**100%**

On May 22, 2020, by means of the Board of Directors' Meeting, a capital increase in the amount of R$ 339 was approved upon the issue of 100 thousand new shares.

On July 17, 2020, as per the minutes of the Annual and Special Shareholders' Meeting, a capital increase in the amount of R$ 746,775 was approved, upon the payment of capital reserves of R$ 464,994 and income reserve of R$ 281,781, without issue of new shares.

On August 13, 2020, according to the minutes of the Board of Directors' Meeting, a capital increase in the amount of R$ 691 was approved upon issue of 225 thousand new shares.

27.2 Capital reserve

This reserve consists of options awarded and recognized by way of CVM resolution 562, issued December 17, 2008, which approved CPC 10/(R1)/IFRS 2 Share-based Payment Transactions, and the change in the parent company's interest in a subsidiary that did not result in the loss of control, as determined by CPC 36 – Consolidated Statements. As at December 31, 2020,the capital reserve balance is R$ 118,307 (R$ 529,934 at December 31, 2019).

27.3 Revenue reserves

27.3.1 Legal reserve

Legal reserve is recorded at the rate of 5% of the net income for the year before profit-sharing and reversal of the interest on equity reserve, as required by corporation law, and defined by the Board of Directors, up to the limit of 20% of the capital. This reserve had a balance of R$ 148,754 as of December 31, 2020 (R$ 120,781 as of December 31, 2019).

The tax benefit amounts in the year must be fully allocated to setting up the tax incentive reserve, under penalty of being considered a diverging allocation as provided for in Decree Law No. 1598/77, amended by Law No. 12973/13 (which revoked articles of Law No. 11941/09). As such, these benefits reduce the legal reserve base.

27.3.2 Investment and expansion reserve

This statutory reserve is used to record the portion of net income for the year reserved for investments and expansion of the Company upon acquisition of interest in capital of other entities, consortia and ventures in the electric power sector. This reserve had a balance of R$ 5,605,846 as of December 31, 2020 (R$ 3,648,222 as of December 31, 2019).

27.3.3 Unrealized profit reserve

This reserve is made by allocating a portion of profits for the current year, for example the initial adoption of CPC 47 / IFRS 15 — Revenue from contracts with customers. The aim of making it is to not distribute dividends on the portion of profits not yet realized financially by the company. The balance as of December 31, 2020 is R$ 1,224,792 (R$ 1,224,184 as of December 31, 2019).

27.3.4 Additional dividend distribution reserve

This reserve is used to record the portion of dividends exceeding the statutory amount until a final resolution it is adopted by the general meeting. The balance as of December 31, 2020 is R$ 159,532 (R$ 736 as of December 31, 2019).

27.4 Asset and liability valuation adjustments

Equity adjustments include:

- Effective portion of the net accumulated variation of fair value of the hedging instruments used in cash flow hedges until recognition of the hedged cash flows (Note 33.4). As at December 31, 2020, cash flow hedges amounted to (R$ 9,468) ((R$ 6,300) at December 31, 2019);

- Effective portion of the net accumulated variation of the effects of post-employment benefit plans (Note 32). As at December 31, 2020, the actuarial balance amounted to (R$ 169,806) ((R$ 126,349) at December 31, 2019); and

- Effective portion of shareholders’ transactions amounting to (R$ 73,569) ((R$ 22,262) at December 31, 2019).

The amounts recorded under equity adjustments are reclassified to P&L for the year in total or in part, upon disposal of the assets/liabilities to which such adjustments refer.

(In thousands of Reais)

27.5 Treasury shares

Treasury shares comprise the cost of Company shares held by the Company. As at December 31, 2020, the Company held 1,370,000 shares in treasury amounting to R$ 31,734 (R$ 0 at December 31, 2019).

27.6 Earnings per share

As required by CPC 41 and IAS 33 (Earnings per Share), the table below reconciles the net income for the year against the amounts used to calculate the basic and diluted net income per share .

	2020	2019
Numerator	**2,975,089**	2,415,630
Net income for the year		
Denominator	**1,009,141**	1,010,511
1. Average weighted shares in the basic EPS calculation	**1,009,141**	1,010,511
2. Average weighted shares in the diluted EPS calculation (a)	**2.94814**	2.39050
Basic earnings for the year per lot of one thousand shares - R$	**2.94814**	2.39050

	2020	2019
(i) Dilution factor (a)		
3, Number of options available	21,125	21,125
4, Number of shares exercised	21,125	19,975
5, Exercisable years	4	4
6, Current exercisable shares	1	4
Dilutive effect ((3/6)-(3-4)))	-	4,131

	2020	2019
(i) Dilution factor (a)		
3. Number of Stock Option shares (Plan 5)	**15,628**	2,120
5. Exercisable years	**4**	4
6. Current exercisable shares	**1**	1
Dilutive effect of Plan 5 ((3/6)-(3))	**-**	-
Average weighted shares in the diluted EPS calculation	**1,009,141**	1,010,511

(a) Derives from the Stock Options Plan (see note 27.8)

27.7 Dividends

At the indirect subsidiary Equatorial Maranhão, on May 29, 2020, pursuant to the Minutes of the Annual/Special General Meeting, the distribution of supplementary dividends to shareholders was approved in the amount of R$ 25,744.

At the indirect subsidiary Equatorial Pará, on May 29, 2020, pursuant to the Minutes of the Annual/Special General Meeting, the distribution of supplementary dividends to shareholders was approved in the amount of R$ 154,731.

At the direct subsidiary Equatorial Distribuição, on May 29, 2020, pursuant to the Minutes of the Executive Board Meeting, the distribution of supplementary dividends to shareholders was approved in the amount of R$ 139,521.

(In thousands of Reais)

Set out below are the amounts of additional dividends established in 2019 and their distribution approved in 2020, by company, as well as their relationship with non-controlling interests:

	Additional dividends 2019	Equity interest (%) non-controlling interests	Additional dividends - non-controlling interests
Equatorial Maranhão	25,744	34.89%	8,982
Equatorial Pará	154,731	3.50%	5,417
Equatorial Distribuição	139,521	9.85%	13,749
Total	319,996		28,148

In indirect subsidiary Equatorial Maranhão, on March 24, 2021, pursuant to the Board of Directors' meeting minutes, payment of dividends to shareholders amounting to R$641,959 was approved, R$ 528,394 of which by means of dividends for the year, distributed into minimum dividends of R$ 132,099 and additional dividends of R$ 396,295 (R$ 253,565 of which were paid in December 2020) and R$ 113,565 in set-up reserves.

In indirect subsidiary Equatorial Pará, on March 24, 2021, pursuant to the Board of Directors' meeting minutes, payment of dividends to shareholders amounting to R$662,722 was approved, R$ 581,862 of which by means of dividends for the year, distributed into minimum dividends of R$ 145,466 and additional dividends of R$ 436,396 (R$ 277,280 of which were paid in December 2020) and R$ 80,860 in set-up reserves.

In indirect subsidiary Equatorial Distribuição, on March 24, 2021, pursuant to the Executive Board's meeting minutes, payment of dividends to shareholders amounting to R$ 1,075,840 was approved, distributed into minimum dividends of R$ 268,960 and additional dividends of R$ 806,880 (R$ 542,211 of which were paid in December 2020).

In direct subsidiary Equatorial Alagoas, pursuant to the Board of Directors' meeting minutes, payment of dividends to shareholders amounting to R$64,110 was approved, of which R$ 56,946 as minimum dividends and R$ 7,164 as additional dividends.

	Minimum, additional (paid) dividends and reserves	Equity interest (%) - non-controlling interests	Dividends Non-controlling shareholders
Equatorial Maranhão	499,229	34.89%	174,224
Equatorial Pará	503,606	3.50%	17,785
Equatorial Distribuição	811,171	9.85%	79,937
Equatorial Alagoas	56,946	3.63%	2,067
Solenergias	20,593	49.00%	10,091
Total	1,891,545		284,104

As at December 31, 2020, total dividends recorded in the subsidiaries and their relationship with noncontrolling shareholders were of R$ 312,252 (R$ 265,379 at December 31, 2019).

(In thousands of Reais)

27.8 Stock option plan

The Group grants its employees stock-option plans. These plans are aimed at inserting the professionals in the Company's development process in the medium and long term.

The Company had two share-based plans in force in the third quarter of 2020. (i) the Fourth Stock Option Plan and the (ii) Fifth Stock Option Plan. The plans contains the distribution of call options for Company shares to executives and employees.

The plans are administrated by the Company's Board of Directors, by way of a committee within the limits established in the Structuring and Preparation Guidelines for each Plan and the applicable legislation, and are as follows:

27.8.1 Fourth Stock Option Plan

In force since July 21, 2014, the Company's Fourth Stock Option Plan ("Plan Four") had 626,250 outstanding options (number of options after the split: 3,131,250) until July 21, 2020. The plan expired on July 21, 2020.

The table below states the changes in options until their expiration on July 21, 2020:

	Number of options	**Weighted average of fair value for the year**	**Number of options**	**Weighted average of fair value for the year**
In options	**07/21/2020**	**07/21/2020**	**12/31/2019**	**12/31/2019**
Existing on January 1	3,131,250	3.39	19,468,750	3.58
Exercised over the year	(325,000)	3.11	(16,337,500)	3.48
Expired over the year	(2,806,250)	-	-	-
Existing at end of year	-	-	3,131,250	3.39
Exercisable at end of year	-	-	3,131,250	3.39

As of December 31, 2020, there was no exercise of call options (grant).

27.8.2 Fifth Stock Option Plan

On July 22, 2019, by the Special General Meeting, Equatorial Energia S.A. shareholders approved the creation of Equatorial's Fifth Stock Option Plan ("Plan").

The Plan seeks to encourage the expansion, success and performance of the Company and its subsidiaries' business purpose and align the interests of the Company and its subsidiaries' shareholders to the interests of eligible individuals.

Plan beneficiaries may exercise their Options no later than 6 (six) months from the Granting Date. Options vest over a period of 4 (four) years, 25% each year.

(In thousands of Reais)

1st Grant		2nd Grant	
Vesting Date	**Vested options**	**Vesting Date**	**Vested options**
12/17/2020	286,875	12/14/2021	7,500
12/17/2021	286,875	12/14/2022	7,500
12/17/2022	286,875	12/14/2023	7,500
12/17/2023	286,875	12/14/2024	7,500
	1,147,500		**30,000**

The strike price of the options granted under the terms of the Plan will be determined by the Plan's Management Committee, based on the average quotation of Company shares on B3, weighted by the trade volume, in the 60 trading sessions prior to Granting Date.

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The shares held in treasury, acquired in the buyback plan or to be issued are subject to the Plan's rules.

The options' value is estimated on granting date, using the Black & Scholes model for pricing the options, which takes into consideration the terms and conditions under which the instruments were granted.

1st Grant

	2020	2019
Fair value on grant date	**6.78**	**6.78**
Grant date: 12/17/2019		
Number of shares granted	**1,147,500**	**1,242,500**
Share price on grant date	**22.08**	**22.08**
Weighted fair value in vesting period	**20.10**	**20.42**
Expected volatility (weighted average)	**22.96%**	**22.96%**
Option's lifetime (expected weighted average lifetime)	**4.25**	**4.25**
Risk-free interest rate (average based on government securities)	**6.40%**	**6.40%**

2nd Grant

	2020
Fair value on grant date	**6.83**
Grant date: 12/14/2020	
Number of shares granted	**30,000**
Share price on grant date	**22.50**
Weighted fair value in vesting period	**21.43**
Expected volatility (weighted average)	**29.05%**
Option's lifetime (expected weighted average lifetime)	**4.25**
Risk-free interest rate (average based on government securities)	**6.40%**

a. Data and assumptions used in the pricing model, including shares' weighted average price, strike price, expected volatility, option's lifetime, expected dividends and risk-free interest rate

(In thousands of Reais)

For respective grant dates or year-end dates, the market price of Equatorial Energia S.A. shares on such date was adopted, as well as historic volatility (rather than expected volatility), average maturity period of each lot of options, strike price of options adjusted for estimated dividends for the period and risk-free interest rate based on the curve of future fixed federal government securities in the expected average strike period of each lot. A non-subscription rate on granted shares was also considered, based on the Company's history as future expectation.

b. Method used and assumptions adopted to embody the expected effects of early exercise

Strike price was calculated based on the options' issue price and adjusted for the dividends declared in the period.

With respect to earnings, the amount effectively declared in 2020 and a future estimate using internal parameters were adopted.

c. Expected volatility calculation

For calculating volatility, the shares' historical volatility for each lot's average exercise period was used.

Company:

In options	Number of options 2020	Weighted fair value of strike price 2020	Number of options 2019	Weighted fair value of strike price 2019
Existing at December 31	**1,242,500**	**20.10**	-	-
Cancelled in the year	**(95,000)**	**(20.42)**	-	-
Granted in the year	**30,000**	**21.43**	1,242,500	**20.42**
Existing at year end	**1,177,500**	**21.43**	**1,242,500**	**20.42**

The expense recognized in the year ended December 31, 2020 was R$ 3,960 (R$ 0 at December 31, 2019) and refers to the fair value recognized during the vesting period that is assessed on each reporting date.

Company and its subsidiaries:

In options	Number of options 2020	Weighted fair value of strike price 2020	Number of options 2019	Weighted fair value of strike price 2019
Existing at December 31	**17,947,500**	**20.10**	-	-
Cancelled in the year	**(2,555,000)**	**20.42**	-	-
Granted in the year	**235,000**	**21.43**	17,947,500	**20.42**
Existing at year end	**15,627,500**	**21.43**	**17,947,500**	**20.42**

The expense recognized in the year ended December 31, 2020 was R$ 53,088 (R$ 0 at December 31, 2019) and refers to the fair value recognized during the vesting period that is assessed on each reporting date.

Worth highlighting, this option plan is classified as an equity instrument, since the Company and its subsidiaries must measure and recognize the transaction and corresponding increase in equity, in accordance with CPC 10 (R1) / IFRS 2.

27.8.3 Phantom share grant plan

On December 12, 2019, the Group created a share-based payment program settled in cash (the "Program"). The Program is aimed at (a) aligning the interests of Company shareholders to the interests of the Program beneficiaries; (b) retaining the beneficiaries; and (c) focusing on the Company's long-term valuation and growth potential.

The Program grants the beneficiaries selected by the Company's Board of Directors the right to phantom shares, through cumulative compliance with the following conditions: (i) 50% (fifty per cent) of the phantom shares granted, the Beneficiary must remain continuously linked as an employee, officer or director of the Group during the vesting period, which ends on May 1, 2025; (ii) 50% (fifty per cent) of the phantom shares granted, the Beneficiary must remain continuously linked as an employee, officer or director of the Company or entity under the Company's control during the vesting period, which ends on May 1, 2026; and (iii) compliance with the Company's performance goals.

The strike price of the phantom shares granted under the terms of the Plan will be determined by the Plan's Management Committee, based on the average quotation of Company shares on B3, weighted by the trade volume, in the 60 trading sessions prior to each vesting period, i.e. immediately prior to May 01, 2025 and May 01, 2026.

The funds to be delivered by the Company to the Program members will be from the Companies' cash.

a. Data and assumptions used in the pricing model, including shares' weighted average price, strike price, expected volatility, option's lifetime, expected dividends and risk-free interest rate

   The strike price of the phantom shares granted under the terms of the Plan will be determined by the Plan's Management Committee, based on the average quotation of Equatorial Energia shares on B3, weighted by the trade volume, in the 60 trading sessions prior to each vesting period, i.e. immediately prior to May 01, 2025 and May 01, 2026.

b. Program expense calculation

   Share price was calculated based on the price of 60 trading sessions prior to 2020 year end, weighted by traded volume.

   Based on the calculation of the performance metrics defined, the Company and its subsidiaries Equatorial Maranhão, Equatorial Pará and 55 Soluções were entitled to referred to program. The number of shares for Equatorial Energia, in case the performance metrics are achieved, is as follows:

(In thousands of Reais)

Company:

In shares	Number of shares 2020	Weighted fair value of strike price 2020
Existing at December 31	-	-
Extinguished in the year	-	-
Granted in the year	**382,500**	**21.47**
Existing at year end	**382,500**	**21.47**

The expense recorded for the phantom share plan in the Company in the year ended December 31, 2020 was of R$ 1,588 (R$ 0 at December 31, 2019).

Company and its subsidiaries

In shares	Number of shares 2020	Weighted fair value of strike price 2020
Existing at December 31	-	-
Extinguished in the year	-	-
Granted in the year	1,797,500	**21.47**
Existing at year end	**1,797,500**	**21.47**

The expense recorded for the phantom share plan in the Company and its subsidiaries in the year ended December 31, 2020 was of R$ 12,468 (R$ 0 at December 31, 2019).

The numbers above may vary depending on performance and be multiplied by a percentage between 90 and 110%.

We stress that this plan is classified as a liability instrument settled in cash. In practice, the plan is not related to the volatility of Company shares (EQTL3).

(In thousands of Reais)

28 Net operating revenue (Consolidated)

The reconciliation between gross revenue and net revenue is as follows:

	2020	2019
Distribution		
Distribution revenue	**14,989,930**	15,003,238
WACC financial remuneration (a)	**334,653**	553,474
"A Component" revenue receivable (returnable) and other financial items (b)	**542,848**	44,732
CDE subsidy - Other (c)	**515,181**	433,760
Electricity supply	**16,382,612**	16,035,204
Electricity delivery	**272,354**	383,478
Availability revenue - Network usage (d)	**502,413**	99,619
Construction revenue	**1,843,133**	1,878,597
Indexation of financial assets (e)	**184,592**	258,742
Other revenue	**633,807**	197,168
Subtotal Distribution	**19,818,911**	18,852,808
Transmission		
Construction revenue and infrastructure improvement (f)	**2,361,172**	4,714,857
Operation and maintenance revenue (g)	**21,775**	17,436
Contract assets - realization loss/gain (h)	**(507,192)**	522,661
Other revenue	**21,754**	10,779
Subtotal	**1,897,509**	5,265,733
Concession asset yield (i)	**1,221,131**	566,568
Subtotal Transmission	**3,118,640**	5,832,301
Other		
Trading revenue	**334,868**	303,090
Revenue from adjustment of future realization of electric energy contracts (j)	**129,802**	-
Other revenue	**27,963**	26,346
Subtotal Other	**492,633**	329,436
Gross operating revenue	**23,430,184**	25,014,545
Deductions from revenue		
ICMS on electricity sales	**(3,261,977)**	(3,322,706)
PIS and COFINS	**(1,686,663)**	(2,071,275)
PIS/COFINS to be refunded to consumers	**4,758**	(6,631)
Consumer charges	**(144,539)**	(128,594)
ISS	**(12,375)**	(11,269)
Energy Development Account – CDE (k)	**(362,036)**	(611,050)
DIF/FIC penalties and others	**(68,447)**	(59,737)
Other	**(8,836)**	(6,937)
Deductions from operating revenue	**(5,540,115)**	(6,218,199)
Net operating revenue	**17,890,069**	18,796,346

(a) This change is related to the IPCA variation, compared to the same period in 2019;

(b) This variation is due to the following main factors: i) expense with CCEE settlement (financial exposure, hydrological risk and availability effect) in 2019 was higher when compared to the same period in 2020, generating a higher revenue in the CVA of energy in 2019, which did not occur in 2020; ii) the tariff coverage for the purchase of energy approved in the tariff adjustment from January to September 2019 was more adherent to the costs incurred in this period, which did not occur in 2020, whose average purchase price was lower than the coverage, generating a negative CVA; iii) transfer of the reserve fund amounts for future relief of consumer charges, whose amount generated a negative CVA; (iv) transfer of COVID Account resources regulated by means of Normative Resolution No. 885/2020, generating an impact reducing the positive CVA. The combination of these four items was responsible for the variation in amounts receivable/returnable of A component and other financial items;

(c) Tariff discounts are discounts and subsidies levied on tariffs applicable to consumers in the classes of irrigation, public services and rural projects in accordance with the legislation in force governing the distribution of electricity. As a result, distributors are compensated for the loss of revenue resulting from this tariff benefit, as set forth by article 13 of Law No. 10438 2002. In the 2019 Tariff Review, new tariff values were approved for the concessionaire, therefore the monthly calculation of a new pass-through amount of the tariff subsidy, raising the amount found in 2020 under "CDE subsidy –other", when compared with the same period of 2019. This is so since the tariff used to calculate the subsidy was the one approved in the 2018 tariff process. Another relevant fact for the increase in the tariff subsidy in 2020 was the 67 migrations to the free environment of special customers, who purchase their energy from an incentive source and are entitled to a discount on the billing tariff;

(d) Direct and indirect electricity distribution subsidiaries recognize revenue due to the availability of the electricity distribution network infrastructure, calculated based on the Distribution System Use Tariff (TUSD) defined by ANEEL, under Administrative Ruling No. 414/2010 and specific legislation, so that captive customers may migrate to the free environment, as long as the established requirements are met. The variation between the periods is related to the increase in the migration of the number of customers from the captive environment to the free environment;

(e) The efficiency gains obtained by the subsidiaries in the process of reviewing the tariff values changed the cost and market structure, impacting the recognition of revenue from financial asset adjustment when compared to the previous period;

(f) This reduction is due to the startup of SPE 01, SPE 02, SPE 04, SPE 07 and SPE 08 operations;

(g) Operation and maintenance revenue refers to the start-up of the transmission companies, whose purpose is not to interrupt the availability of the facilities, paying for the operation and maintenance services of the electricity transmission facilities;

(h) These refer to positive or negative variations in construction and/or operation revenue, between budgeted base and real base. As at December 31, 2020, the subsidiaries reviewed their construction budget and included additional venture construction expenses that were not in the initial budget;

(i) Financial yield from restatement of contract assets, whose variation was above the prior year due to the increase in contract assets;

(j) Revenue from indirect subsidiary Solenergias Comercializadora de Energia S.A., deriving from power sale and purchase transactions in the Free Energy Market; and

(k) The reduction in the CDE charge expense (Decree No. 7891/2013, as amended by Decree No. 9642/2018) was motivated by the end of the CDE Energia collection in March /019 and the early settlement of the ACR Account loans, whose expense occurred until December 31, 2019.

(In thousands of Reais)

28.1 Margin of performance obligations (Consolidated)

	2020			2019		
	SPEs	**INTESA**	**Consolidated**	**SPEs**	**INTESA**	**Consolidated**
Infrastructure construction and improvement						
Revenue	**2,200,964**	**160,208**	**2,361,172**	4,646,647	68,210	4,714,857
Cost	**(1,207,068)**	**(59,021)**	**(1,266,089)**	(3,121,452)	(33,219)	(3,154,671)
Margin (R$)	**993,896**	**101,187**	**1,095,083**	1,525,195	34,991	1,560,186
Perceived margin (%)	**45.16%**	**63.16%**	**-**	32.82%	51.30%	-
Budgeted margin at contract inception (%)	**35.24%**	**-**	**-**	35.24%	-	**-**

	2020			2019		
	SPEs	**INTESA**	**Consolidated**	**SPEs**	**INTESA**	**Consolidated**
Operation and maintenance (*)						
Revenue	**10,884**	**10,891**	**21,775**	-	17,436	17,436
Cost	**(8,078)**	**(14,166)**	**(22,244)**	-	(14,827)	(14,827)
Margin (R$)	**2,806**	**(3,275)**	**(469)**	-	2,609	2,609
Perceived margin (%)	**25.78%**	**(30.07%)**	**-**	-	14.96%	-
Budgeted margin at contract inception (%)	**23.96%**	**-**	**-**	**-**	**-**	**-**

(*) As mentioned in Note 1.1 Subsidiaries and joint ventures, certain transmission subsidiaries are still in construction phase and, therefore, do not recognize operation and maintenance revenue. This occurs because O&M revenue is a reflex of operating costs (plus margin), which must be recognized within the infrastructure investment.

(**) Weighted average of budgeted margin at contract inception of SPEs in operation (SPE 01, SPE 02 and SPE 08). The other companies that are in operation (SPE 04, SPE 05 and SPE 07) still have construction costs to be capitalized, reason why such companies do not present O&M revenue and expenses.

(In thousands of Reais)

29 Service costs and operating expenses (Consolidated)

	2020				
	Cost of power supply service	**Sales expenses**	**Administrative expenses**	**Impairment losses**	**Total**
Personnel	**(225,768)**	**(48,154)**	**(327,088)**	**-**	**(601,010)**
Material	**(50,433)**	**(5,991)**	**(6,398)**	**-**	**(62,822)**
Outsourced services	**(461,495)**	**(33,583)**	**(378,192)**	**-**	**(873,270)**
Electricity purchased for resale (a)	**(6,898,573)**	**-**	**-**	**-**	**(6,898,573)**
Charge for using transmission and distribution system	**(393,698)**	**-**	**-**	**-**	**(393,698)**
Construction cost (b)	**(3,109,221)**	**-**	**-**	**-**	**(3,109,221)**
Allowance for doubtful accounts and losses on commercial clients	**-**	**-**	**-**	**(268,177)**	**(268,177)**
Provision for civil, tax, labor and regulatory claims	**-**	**-**	**(29,774)**	**-**	**(29,774)**
Amortization	**(617,117)**	**-**	**(210,124)**	**-**	**(827,241)**
CCC Subsidy	**(123,759)**	**-**		**-**	**(123,759)**
Other	**(23,250)**	**(6,435)**	**10,668**	**-**	**(19,017)**
	(11,903,314)	**(94,163)**	**(940,908)**	**(268,177)**	**(13,206,562)**

	2019				
	Cost of power supply service	**Sales expenses**	**Administrative expenses**	**Impairment losses**	**Total (a)**
Personnel	(221,130)	(65,559)	(214,522)	-	(501,211)
Material	(18,667)	(4,034)	(7,063)	-	(29,764)
Outsourced services	(290,985)	(198,170)	(286,773)	-	(775,928)
Electricity purchased for resale	(6,252,637)	-	-	-	(6,252,637)
Charge for using transmission and distribution system	(721,389)	-	-	-	(721,389)
Construction cost	(5,033,268)	-	-	-	(5,033,268)
Allowance for doubtful accounts and losses on commercial clients	-	-	-	(97,573)	(97,573)
Provision for civil, tax, labor and regulatory claims	-		133,728	-	133,728
Amortization	(461,671)	-	(174,933)	-	(636,604)
CCC Subsidy	(114,555)	-	-	-	(114,555)
Other	47,107	(5,075)	(8,103)	-	33,929
	(13,067,195)	(272,838)	(557,666)	(97,573)	(13,995,272)

(a) See the breakdown of the cost of electricity purchased for resale, as per note 30; and

(b) The reduction is due to the startup of the Company's indirect subsidiaries SPE 01, SPE 02, SPE 04, SPE 07 and SPE 08 operations, in addition to the progress of the works in the other transmission companies.

(In thousands of Reais)

30 Electricity purchased for resale (Consolidated)

	GWh (*)		R$	
	2020	**2019**	**2020**	**2019**
Auction energy (a)	**21,518**	20,945	**(4,014,713)**	(4,025,908)
Eletronuclear Contracts	**784**	747	**(220,671)**	(173,707)
Guarantee contracts (b)	**6,437**	6,806	**(702,745)**	(707,377)
System Service Charges - ESS/ Energy reserve (c)	**-**	-	**(139,093)**	(63,325)
Bilateral electricity	**226**	226	**-**	-
Short-Term Electricity - CCEE (d)	**-**	-	**(1,085,092)**	(1,336,552)
Alternative source incentive program - PROINFA	**463**	490	**(143,202)**	(172,393)
(-) Recoverable portion of noncumulative PIS/COFINS (e)	**-**	-	**654,001**	641,103
Other costs	**-**	-	**(292,765)**	(253,170)
Subtotal	**29,428**	29,214	**(5,944,280)**	(6,091,329)
Charge for using transmission and distribution system (f)	**-**	-	**(1,347,991)**	(882,697)
Total	**29,428**	29,214	**(7,292,271)**	(6,974,026)

(*) Unaudited

(a) The variation refers to costs with contracts (CCEAR - Energy Sale Agreements in the Regulated Environment, MCSD - Surplus and Deficit Offset Mechanism) deriving from payment prices lower than in 2019 by virtue of lower expenses with the variable portion of thermal power plants in the course of 2020 due to decrease in the operation of such plants;

(b) Physical guarantee quotas decreased in volume contracted as per Administrative Ruling 2318/2017, issued by ANEEL, which established the factors relating to physical guarantee quotas for electricity distribution agents in 2018, 2019 and 2020;

(c) In the year ended December 31, 2020, Company direct and indirect subsidiaries presented an increase in system service/reserve energy charges due to the high amounts paid for reserve charges from April to October 2020;

(d) Company subsidiaries presented a decrease in short-term energy costs as compared with the prior year, due to the decrease in Difference Liquidation Price (PLD) in 2020, caused by market retraction mainly in connection with COVID-19 pandemic;

(e) This balance derives from deferral of PIS/COFINS credits on CVA realized by the company (cash basis); and

(f) Includes the costs of charges for the use and connection of the transmission system, which have tariffs adjusted by the Annual Permitted Compensation– RAP resolution, therefore, in each year there is always the effect of two resolutions. The costs incurred in from January to December 2020 were higher than 2019 due to the tariffs approved in RAP resolution No. 2564 of June 19, 2019, which remained in effect until July/2020 related to the Basic Grid and Connection, that had an increase incorporated into the annual tariff readjustment of 2019, as well as the rise of the contracting of MUST (Amount of Use of the Transmission System). Additionally, by means of Administrative Ruling 2726, of July 14, 2020, ANEEL established the Transmission System Use Tariff for the period from July 2020 to June 2021, which increased the costs of electric energy transport.

(In thousands of Reais)

31 Finance income

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Finance income				
Finance earnings	**24,133**	32,242	**155,768**	230,335
Amounts receivable/returnable – "A Component"	-	-	**115,220**	145,317
Transactions with derivative financial instruments (a)	-	-	**360,187**	54,339
Additional amount for late payment of energy sold (b)	-	-	**458,667**	386,228
AVP finance income	-	483	**31,197**	-
RGR finance income	-	-	-	671,595
Monetary and exchange variation of debt	-	650	**13,681**	46,303
PIS/COFINS on finance income	**(1,100)**	(1,569)	**(37,278)**	(39,752)
CCC subrogation adjustment	-	-	**1,494**	129,935
Discounts obtained	-	-	-	12,288
PIS/COFINS to be refunded to consumers	-	-	**(12)**	4,517
Other finance income	-	1,527	**27,798**	120,273
Total finance income	**23,033**	33,333	**1,126,722**	1,761,378
Finance expenses				
Debt charges	**(46,513)**	(139,456)	**(732,819)**	(831,777)
Regulatory fines	-	-	**(3,212)**	(13,720)
Transactions with derivative financial instruments (a)	-	-	**(8,031)**	(28,518)
Amounts receivable/returnable - A Component	-	-	**(43,092)**	(61,385)
Monetary and exchange differences - debt	**(4,997)**	(4,099)	**(579,359)**	(209,951)
AVP finance costs	-	-	**(64,816)**	(117,952)
RGR finance expenses	-	-	-	(667,112)
Adjustment on efficiency efforts and contingencies	-	-	**(19,454)**	(277,705)
Interest, fines on energy operation	-	-	**(2,721)**	(1,769)
Interest payable	-	-	**(48,196)**	(56,205)
Discounts granted	-	-	**(25,155)**	(16,016)
Other finance costs	**(8,021)**	(53,215)	**(23,992)**	(106,928)
Total finance costs	**(59,531)**	(196,770)	**(1,550,847)**	(2,389,038)
Finance income (costs), net	**(36,498)**	(163,437)	**(424,125)**	(627,660)

(a) This largely refers to the contracting of SWAP transactions, which exchange US Dollar + spread for CDI + spread, where the main variation refers to the exchange rate on these transactions. In the year ended December 31, 2020, the main effect refers to the exchange difference, generating revenue in 2020 with a 29% increase in the US dollar, from R$ 4.03 at December 31, 2019 to R$ 5.19 at December 31, 2020, against a lower revenue in 2019, with the increase of the dollar by 4%, going from R$ 3.87 on December 31, 2018 to R$ 4.03 on December 31, 2019; and

(b) This increase is due to late payment of electricity bills by consumers of electricity distribution subsidiaries, mainly in connection with COVID-19 pandemic.

32 Post-employment benefits

32.1 Details of the retirement plan

(i) Equatorial BD Plan (Equatorial Maranhão)

The BD plan is structured as a "defined benefit", where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Invalidity retirement: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to disability.

- Retirement due to Age: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

- Retirement due to Time of Contribution: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

(ii) Equatorial CD Plan (Equatorial Maranhão)

The Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. Pursuant to the plan, the benefits offered to employees include the following:

- Normal Retirement: It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 180 consecutive months with the sponsor;
(b) Have 60 months of effective contribution to the plan;
(c) Are 55 years old or more;
(d) Do not have an employment relationship with the sponsor.

The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for n months.

- Retirement through inability to work: The benefit is granted to the participant that is receiving a Social Security pension for disability, provided that he is a participant in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

- Pension for Death of an Assisted Person: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

(iii) Equatorial BD Plan (Equatorial Pará)

The BD plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Retirement (due to Disability, age, length of service and special reasons): Retirement benefit calculated based on the difference between Real benefit wage (SRB), which is the average of the last 36 Contribution Salaries and the retirement awarded in RGPS. Except for Invalidity retirement, the retirement schemes have a grace period of 120 months of monthly contributions to the plan.

- Surviving spouse pension: The benefit above is equivalent to 50% of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it; and

- Annual bonus: The benefit consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

(iv) Celpa OP Plan (Equatorial Pará)

The Celpa OP Plan is structured as “variable contribution”, where there is a post-employment commitment during the inactive stage (retired and pensioners), for benefit structured in the form “Defined Benefit” (retirement benefit to be awarded in the form of monthly income for life and the respective investments in pensions). Pursuant to the plan, the benefits offered to employees include the following:

- Monthly income from investment in pension: It is granted to participants who meet the following conditions:

  (a) Have an employment relationship of 05 complete months with the sponsor;
  (b) Have 05 years of effective contribution to the plan;
  (c) Are 55 years old or more;
  (d) Be entitled to the benefit, except for Invalidity under RGPS; and
  (e) Do not have an employment relationship with the sponsor.

  According to the form selected in the application, the benefit value is equal to:

  ✓ Monthly income for life in the form “Variable Contribution”; or
  ✓ Financial monthly income in the form “Defined Contribution”.

- Lump sum benefit on disability or death: The Lump sum benefit on death is awarded to beneficiaries when the active participant dies. The Lump sum benefit on disability is awarded to the participant who has Supplementary disability retirement in Plan R.

(v) Celpa R Plan (Equatorial Pará)

Celpa R is structured as a “defined benefit”, where there is a post-employment commitment entailing the payment of retirement for invalidity and pensions. Furthermore, the plan is not contributive, only offering risk benefits. Pursuant to the plan, the benefits offered include the following:

- Supplementary sickness benefit and retirement due to disability: The two benefits above constitute monthly income determined as the difference between the Real benefit wage (SRB) and the value of the benefit awarded by RGPS (General Social Security Scheme), which are awarded whilst concession of RGPS is guaranteed.

- Surviving spouse pension: The benefit above is equivalent to 50% of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it; and

- Annual bonus: The benefit consists of the largest monthly amount received in the year by the participant and will be paid by December 20. As this is a non-contributive plan, the plan is financed entirely by the normal contribution of the sponsor itself, where the percentage is determined in the plan’s costing plan.

(vi) Celpa CD Plan (Equatorial Pará)

Pension benefits plan administered by Fundação Equatorial de Previdência Complementar (EQTPREV) and sponsored by Equatorial Energia Pará, amongst others. The company began offering this plan to its employees in FY 2019, and that year received participants and assisted participants sponsored by the company from the Celpa OP and Celpa R plan, and therefore recognized the first obligations under this plan.

The Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. Pursuant to the plan, the benefits offered to employees include the following:

- Normal Retirement: It is granted to participants who meet the following conditions:

a) Have an employment relationship of 180 consecutive months with the sponsor;
b) Have 60 months of effective contribution to the plan;
c) Are 55 years old or more;
Do not have an employment relationship with the sponsor. The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for n months.

- Retirement through inability to work: The benefit is granted to the participant that is receiving a Social Security pension for disability, provided that he is a participant in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income; and

- Pension for Death of an Assisted Person: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

(vii) Resolution 10/1989 (Equatorial Pará)

The Company has an uncovered actuarial liability originating from an agreement between the company and former employees and pensioners. The agreement was resolved by Resolution 10 issued August 4, 1989 by company management and came into force on June 11, 1996.

Because the resolution is in force, former employees and pensioners are entitled to pension benefits, which comprise the uncovered actuarial liability. The value of the liability determined is provisioned for in its entirety by the Company.

(viii) Medical assistance plan (Equatorial Pará)

CNU health care plan

The Company offers employees and former employees (whether retired or terminated) health insurance administered by Central Nacional Unimed - Cooperativa Central (CNU), including both outpatient and inpatient coverage and obstetrics, with national coverage. Health insurance is offered to all employees and their dependents, with the exception of directors and managers.

Unimed Health Insurance (Equatorial Pará)

The Company offers employees and former employees (whether retired or terminated) health insurance administered by Unimed Seguro Saúde S/A, including both outpatient and inpatient coverage and obstetrics, with national coverage. This plan is offered to all Company directors and managers and their dependents.

UNIODONTO Dental Plan (Equatorial Pará)

Dental insurance operated by Uniodonto Belém to all employees and former employees (whether retired or terminated) and their dependents.
Unlike health insurance plans, dental insurance expenses will not increase with age. There is therefore no post-employment commitment (cross subsidy).

(ix) Settled Plan (Equatorial Piauí)

Pension benefit plan organized and administered by Fundação Cepisa de Seguridade Social (FACEPI) and sponsored by Equatorial Energia Piauí, which is offered to its employees and their dependents.

The Settled Plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Retirement due to Time of Service/Contribution: Supplementary retirement due to length of service/contribution time is owed to the participant during the period they receive retirement for length of service/contribution time from social security and will only be suspended in the event of death of the participant or suspension or cancellation of their retirement.

- Invalidity retirement: The benefit is awarded to participants during the period they receive retirement from social security.

- Retirement due to Age: The benefit is awarded to the participant's beneficiaries as long as the retirement due to age is maintained by social security and canceled upon their death. It consists of a monthly income equivalent to the value of the positive difference between the real benefit wage and the pension awarded by the INSS.

- Surviving spouse pension: The benefit is granted to the beneficiaries of an active participant who happens to die, during the period they receive a pension from social security. The amount of the benefit consists of the continuation of the 60% to 100% of the retirement paid to the assisted participant.

- Sickness Benefit: The benefit is awarded to the participant's beneficiaries receiving sickness allowance from social security. It consists of a monthly income equivalent to the value of the positive difference between the real benefit wage and the sickness allowance awarded by the INSS.

  Burial Assistance: The benefit is awarded in the event of the participant's death after having contributed at least 60 (sixty) monthly contributions to the Plan, as from the participant's latest enrollment in this Foundation, the beneficiaries or, in the absence thereof, the person demonstrating they are the successor. The expanded burial allowance consists of a lump-sum payment equal to 1/5 (one fifth) of the social security benefit ceiling.

(x) CV Plan (Equatorial Piauí)

Pension benefit plan administered by Fundação Cepisa de Seguridade Social (FACEPI) and sponsored by Equatorial Energia Piauí, which is offered to its employees and their dependents.

The CV Plan is structured as a variable contribution, there being a commitment in the participants post-employment period. Pursuant to the plan, the benefits offered to employees include the following:

- Scheduled retirement: The benefit will be calculated actuarially based on the participant's individual balance, amongst other parameters, where this benefit is split into two stages: fixed term income of scheduled retirement and lifetime income of scheduled retirement.

- Invalidity retirement: The benefit to be awarded will be calculated actuarially based on the participant's individual balance at the disability date, plus funds from the disability lump sum, where this benefit is split into two stages: fixed term income of disability retirement and lifetime income of disability retirement.

- Surviving spouse pension: The benefit to be awarded will be calculated actuarially based on the active participant's individual balance at the date of death, plus funds from the lump sum for death, where this benefit is split into two stages: fixed term income of active retirement and lifetime income of active retirement.

- Sickness Benefit: The benefit is equal to twenty percent (20%) of the portion of the current participation salary below the FACEPI ceiling, plus one hundred percent (100%) of the portion of this participation salary above this ceiling.

- Funeral allowance: The benefit is equal to forty percent (40%) of the FACEPI ceiling in force in the month of death, regardless of the social security stage in which the participant was at, their salary level and the accumulated level of employment and employer savings recorded in their name.

(xi)) Equatorial CD Plan (Equatorial Piauí)

Pension benefit plan administered by Fundação Equatorial de Previdência Complementar (EQTLPREV), sponsored by Equatorial Energia Piauí, among others. Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. In accordance with the plan regulations, employees are offered the following benefits:

- Normal Retirement: It is granted to members who cumulatively meet the following conditions:

(a) Have an employment relationship of 180 consecutive months with the sponsor;
(b) Have 60 months of effective contribution to the plan;
(c) Are 55 years old or more; and
(d) Do not maintain an employment relationship with the sponsor.

The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for ‘n’ months.

- Invalidity retirement: The benefit is awarded to participants during the period they receive invalidity retirement from social security provided that these participants have been in the plan for at least 12 months. The benefit amount results from conversion of the balance of accounts into monthly income.

- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who dies, provided that he has participated in the plan for at least 12 months. The benefit amount results from conversion of the balance of accounts into monthly income.

- Pension for death of an assisted worker: The benefit is granted to the beneficiaries of an assisted participant who dies, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

(xii) BD Plan (Equatorial Alagoas)

Pension benefit plan administered by Fundação CEAL de Assistência Social e Previdência (FACEAL) and sponsored by Equatorial Energia Alagoas, which is offered to its employees and their dependents.

The BD plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Invalidity retirement: The benefit to be granted is equivalent to the value of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded. Retirement due to Disability has a grace period of 12 months of contributing to the Plan.

- Retirement due to Time of Service/Contribution: The benefit to be granted is equivalent to the value of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded. The grace period for these benefits is 120 months of contributing to the Plan.

- Retirement due to Age: The benefit to be granted is equivalent to the value of 1/20 (one twentieth) of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded, for each year of contribution to the Plan (limited to 20/20).

- Special Retirement: The benefit to be granted is equivalent to the value of 1/20 (one twentieth) of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded, for each year of contribution to the Plan (limited to 20/20). Special Retirement has a grace period of 180 months of contributing to the Plan.

- Surviving spouse pension: The benefit to be granted consists of a monthly income equivalent to 50% (plus 10% per beneficiary) of the income received by the assisted participant or of the income that the active participant would have been entitled to if he were to retire on the grounds of disability on the date of death.

- Annual bonus: The benefit is granted at the same time that the annual bonus of the Social Security is granted and consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

(xiii) CD Plan (Equatorial Alagoas)

Pension benefit plan administered by Fundação CEAL de Assistência Social e Previdência (FACEAL) and sponsored by Equatorial Energia Alagoas S.A., amongst others. The CD Plan is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits.

The risk benefits are:

- Entry into disability benefit

  Awarded in the event of an active participant’s disability at the rate of 13/12 (thirteen twelfths) of the double of the Real Average Monthly Contribution (CRMM), multiplied by the number of months which remained at the time of full and permanent disability for the participant to become exactly 55 (fifty-five) years of age.

- Lump sum benefit on death of active participant

  Awarded to beneficiaries of the active participant in the event of their death at the rate of 13/12 (thirteen twelfths) of the double of the Real Average Monthly Contribution (CRMM), multiplied by the number of months which remained at the time of the active participant’s death for the participant to become exactly 55 (fifty-five) years of age.

(xiv) Health care plan (Equatorial Alagoas)

Equatorial Energia Alagoas offers its employees and former employees health insurance administered by Qualicorp Administradora de Benefícios S.A., including both outpatient and inpatient coverage and obstetrics, with statewide coverage. Equatorial Energia Alagoas S.A. offers a dental care plan to its employees.

The health care plans (UNIMED) and dental plans (UNIODONTO) have fixed monthly payments, adjusted annually, with monthly payment of the employee’s part and the employer’ part resulting in 12 payments a year.

The health and dental plans contain three different groups, called G1, G3 and G8. The group definitions are presented below:

- G1: consisting of employees, employees on leave and future former employees of Equatorial Alagoas, pursuant to item 11.4 of the 2019/2021 Collective Labor Agreement. Equatorial Alagoas' participation for this group varies according to salary ranges for the health plan and equal to 60% for the dental plan. If a company's subsidiary employee becomes permanently disabled, they and their dependents are entitled to remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). For disabled children, Equatorial Alagoas keeps paying the employer's part to the holder and their dependents, similarly to what would happen if they were still active. This group is open to new active and inactive participants, depending on changes to the Company's subsidiary staff structure.

- G3: consists of disabled former employees who remain in the health and dental plans without contributing to them, meaning that Equatorial Alagoas' participation for this group is 100% of the monthly fees. Equatorial Alagoas contributes for holders and their dependents. The holders and their dependents in this group remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). This is a closed group, with no new additions possible.

- G8: consists of former employees (able-bodied and disabled) who remain in the health and dental plans by court order. Equatorial Alagoas' participation for this group is established individually depending on each court decision. Equatorial Alagoas' contributes for holders and their dependents. The holders and their dependents in this group remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). New members can only be added to this group by court order.

(xv) Equatorial CD Plan (Equatorial Alagoas)

Pension benefit plan administered by Fundação Equatorial de Previdência Complementar (EQTLPREV), sponsored by Equatorial Energia Alagoas, among others. Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. In accordance with the plan regulations, employees are offered the following benefits:

- Normal Retirement: It is granted to members who cumulatively meet the following conditions:

(e) Have an employment relationship of 180 consecutive months with the sponsor;
(f) Have 60 months of effective contribution to the plan;
(g) Are 55 years old or more; and
(h) Do not maintain an employment relationship with the sponsor.

The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for 'n' months.

- Invalidity retirement: The benefit is awarded to participants during the period they receive invalidity retirement from social security provided that these participants have been in the plan for at least 12 months. The benefit amount results from conversion of the balance of accounts into monthly income.

(In thousands of Reais)

- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who dies, provided that he has participated in the plan for at least 12 months. The benefit amount results from conversion of the balance of accounts into monthly income.

Pension for death of an assisted worker: The benefit is granted to the beneficiaries of an assisted participant who dies, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

32.2 Calculation of net actuarial liabilities (assets)

The reconciliation of assets and liabilities will demonstrate the excess or insufficiency of funds to cover the post-employment benefit, which must be presented in the Company's statement of financial position. Below is the statement of profit or loss as of December 31, 2020 (Actuarial Liabilities or Assets accounted) and the projection of expenses to be recognized in profit or loss for 2021.

2020

	EQTL-MA				EQTL-PA				EQTL-PI					EQTL-AL	
	CD	BD	CD	BD	CELPAR	CELPA OP	Resolution No. 10/1989	Health care plans	Paid-out plan	CV Plan	Equatorial CD Plan	DB	DC	Health and Dental Care	Equatorial CD plan
Deficit/(surplus) determined															
Actuarial liabilities determined in the actuarial valuation	1,027	178,966	737	244,025	8,928	2,083	20,092	25,070	507,194	7,324	67	152,909	1,639	105,241	17
Fair value of plan assets	(6,342)	(210,751)	(9,014)	(316,013)	(6,049)	(4,825)	-	-	(531,670)	(3,329)	(386)	(284,105)	(6,628)	-	(120)
Deficit/(surplus) determined	(5,315)	(31,785)	(8,277)	(71,988)	2,879	(2,742)	20,092	25,070	(24,476)	3,995	(319)	(131,196)	(4,989)	105,241	(103)
Effect of Ceiling of Additional Assets and Liabilities															
Effect of Ceiling of Assets	3,764	31,785	2,700	71,988	-	2,479	-	-	24,476	-	246	113,872	4,989	-	61
Effect of Ceiling of Additional Assets and Liabilities	3,764	31,785	2,700	71,988	-	2,479	-	-	24,476	-	246	113,872	4,989	-	61
Net liabilities/(assets) arising from CPC 33(R1) provisions															
Net assets determined	(1,551)		(5,577)	-	2,879	(263)	20,092	25,070	-	3,995	(73)	(17,324)	-	105,241	(42)

2019

	EQTL-MA					EQTL-PA				EQTL-PI		EQTL-AL		
	DC	DB	DC	DB	CELPAR	CELPA OP	Resolution No. 10/1989	Health care plans	Total	Paid-out plan	CV Plan	DB	DC	Health and Dental Care Plan
Deficit/(surplus) determined														
Actuarial liabilities determined in the actuarial valuation	828	180,177	974	241,660	8,558	2,058	21,722	22,558	297,530	421,369	8,963	148,847	2,096	93,605
Fair value of plan assets	(8,498)	(214,911)	(9,951)	(330,836)	(5,923)	(3,448)	-	-	(350,158)	(427,916)	(3,314)	(286,413)	(6,528)	-
Deficit/(surplus) determined	**(7,670)**	**(34,734)**	**(8,977)**	**(89,176)**	**2,635**	**(1,390)**	**21,722**	**22,558**	**(52,628)**	**(6,547)**	**5,649**	**(137,566)**	**(4,432)**	**93,605**
Effect of Ceiling of Additional Assets and Liabilities														
Effect of Ceiling of Assets	6,916	34,734	3,344	89,176	-	1,150	-	-	93,670	6,547	-	121,374	4,432	-
Effect of Ceiling of Additional Assets and Liabilities	**6,916**	**34,734**	**3,344**	**89,176**	**-**	**1,150**	**-**	**-**	**93,670**	**6,547**	**-**	**121,374**	**4,432**	**-**
Net liabilities/(assets) arising from CPC 33(R1) provisions														
Net assets determined	**(754)**	**-**	**(5,633)**	**-**	**2,635**	**(240)**	**21,722**	**22,558**	**41,042**	**-**	**5,649**	**(16,192)**	**-**	**93,605**

(In thousands of Reais)

32.3 Actuarial valuation

Actuarial valuations computed the following plan commitments:

	EQTL-MA		EQTL-PA							EQTL-PI			EQTL-AL			
	CD	**BD**	**BD**	**CELPA OP**	**CELPA R**	**CD**	**Resolution No. 10/ 1989**	**Health care plans**		**Paid-out plan**	**CV Plan**	**Equatorial CD Plan**	**DB**	**DC**	**Health and Dental Care**	**Equatorial CD plan**
P&L for the year																
Current service cost	109	9	(14)	-	(139)	(125)	-	(1,277)		55	-	-	80	253	1,030	3
Interest expenses on actuarial obligations	47	11,890	(15,819)	(138)	(578)	(53)	(1,392)	(1,543)		34,009	568	-	9,867	128	6,340	1
Expected yield from plan assets	(546)	(14,272)	21,903	234	418	631	-	-		(35,567)	(162)	-	(19,338)	(414)	-	(7)
Interest on ceiling effect of additional assets and liabilities	444	2,381	(6,084)	(39)	-	(104)	-	-		296	-	-	8,356	286	-	4
Total expense (income) recorded in P&L for the year	**54**	**8**	**(14)**	**57**	**(299)**	**349**	**(1,392)**	**(2,820)**		**(1,207)**	**406**	-	**(1,035)**	**253**	**7,370**	**1**
Other comprehensive income (loss) for the year																
(Gains from)/losses on plan assets	2,913	4,947	(17,486)	1,270	85	(1,748)	-	-		18,136	147	-	10,735	314	-	-
(Gains from)/losses on actuarial obligations	44	388	(5,771)	(14)	(194)	415	1,080	(729)		218	(2,208)	-	5,025	(839)	10,018	-
(Gains from)/losses on ceiling effect on additional assets and liabilities	(3,596)	(5,329)	23,271	(1,290)	-	748	-	-		19,907	-	-	(15,858)	271	-	-
(Gains from)/losses on recognized in other comprehensive income (loss)	**(639)**	**6**	**14**	**(34)**	**(109)**	**(585)**	**1,080**	**(729)**		**38,261**	**(2,061)**	-	**(98)**	**(254)**	**10,018**	-
Reconciliation of liabilities/(assets) recognized																
Liabilities/(assets) at prior year end	-	-	-	-	-	-	-	-	-	-	**5,649**	**(73)**	-	-	-	-
Expense/(income) recorded in P&L for the year	-	-	-	-	-	-	-	-	-	**(1,207)**	**407**	-	-	-	-	-
(Gains from)/losses on recognized in other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	**38,261**	**(2,061)**	-	-	-	-	-
Employer's contributions	-	-	-	-	-	-	-	-	-	**(37,054)**	-	-	-	-	-	-
Liabilities/(assets) at year end	-	-	-	-	-	-	-	-	-	-	**3,995**	**(73)**	-	-	-	-

(In thousands of Reais)

32.4 Plan assets

32.4.1 Plan assets include:

	EQTL-MA		EQTL-PA				EQTL-PI			EQTL-AL		
	CD	**BD**	**BD**	**OP**	**R**	**CD**	**Paid-out plan**	**CV**	**CD**	**BD**	**CD**	**BD**
Government securities	93,198	196,927	278,554	6,062	3,802	93,138	-	-	-	-	-	93,198
Investment funds:	205,267	-	13,930	2,650	2,131	205,268	514,928	60,480	205,268	290,118	273,256	205,268
Other	58,838	16,016	29,846	1,965	764	29,846	38,384	3,322	152,035	14,055	19,258	58,945
(=) Total assets	**357,303**	**212,943**	**322,330**	**10,677**	**6,697**	**328,252**	**553,312**	**63,802**	**357,303**	**304,173**	**292,514**	**357,411**

Plan assets comprise financial assets quoted in active markets, therefore classified as Level 1 and Level 2 in the fair value hierarchy. The expected overall return rate of plan assets is determined based on market expectations at this date, applicable to the period in which the obligations must be settled.

(In thousands of Reais)

32.5 Defined benefit obligations

(a) Actuarial assumptions

	EQTL-MA		EQTL-PA						EQTL-PI			EQTL-AL			
Assumptions at December 31, 2020	**BD**	**CD**	**BD**	**0P**	**CELPA R**	**Equatorial CD**	**Resolution No. 10/ 1989**	**Health care plans**	**Paid-out plan**	**CV Plan**	**Equatorial CD Plan**	**DB**	**DC**	**Health and Dental Care**	**Equatorial CD plan**
Inflation rate	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%
Discount rate	6.56%	5.92%	6.49%	6.76%	7.25%	5.92%	6.34%	6.87%	6.78%	7.25%	5.92%	6.61%	6.05%	7.09%	5.92%
Future salary increases	3.32%	4.35%	6.49%	6.76%	7.25%	5.92%	6.34%	6.87%	Not applicable	3.61%	4.35%	5.83%	5.83%	3.32%	4.35%
Future pension increases	3.32%	3.32%	5.39%	Not applicable	5.39%	4.35%	3.32%	5.34%	Not applicable	3.61%	3.32%	3.32%	Not applicable	7.25%	3.32%
General mortality	-	-	-	-	-	-	-	-	AT 2000 Decreased by 10%	AT 2000 Decreased by 10%	AT 2000 Decreased by 10%	-	-	-	-

	EQTL-MA		EQTL-PA						EQTL-PI		EQTL-AL		
Assumptions at December 31, 2019	**BD**	**CD**	**BD**	**0P**	**CELPA R**	**Equatorial CD**	**Resolution No. 10/ 1989**	**Health care plans**	**Paid-out plan**	**CV Plan**	**DB**	**DC**	**Health and Dental Care**
Inflation rate	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%
Discount rate	6.85%	6.43%	6.82%	6.93%	7.14%	6.33%	6.72%	7.00%	6.93%	7.19%	6.88%	6.46%	6.98%
Future salary increases	3.61%	4.65%	6.82%	6.93%	7.14%	6.33%	6.72%	7.00%	3.61%	3.61%	6.13%	6.13%	6.98%
Future pension increases	3.61%	3.61%	3.61%	Not applicable	5.68%	4.65%	3.61%	5.68%	3.61%	3.61%	3.61%	Not applicable	3.61%

(In thousands of Reais)

(b) Sensitivity analysis

At the statement of financial position date, reasonably possible changes in each significant actuarial assumption, maintaining the other assumptions constant, would have had the following impact on defined benefit obligations:

		EQTL-MA		EQTL-PA						EQTL-PI			EQTL-AL		
		BD	**CD**	**BD**	**CD**	**OP**	**R**	**Resolution No. 10/ 1989**	**Health care plans**	**Paid-out plan**	**CV Plan**	**Equatorial CD Plan**	**DB**	**DC**	**Health and Dental Care**
Assumption	Sensitivity analysis	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$	Impact R$
Discount rate	Increase of 0.5%	(8,124)	(31,152)	(10,539)	(20)	(107)	(602)	(786)	(1,364)	(26,153)	(1,955)	(2)	(71,668)	(474)	(61,903)
	Decrease of 0.5%	9,521	32,795	11,835	21	117	679	845	1,492	28,706	2,299	2	78,487	501	69,245
Life expectation	Increase of 1 year	5,648	(21,084)	8,435	(15)	52	110	766	207	-	-	-	-	-	-
	Decrease of 1 year	(5,376)	27,155	(8,028)	20	(52)	(113)	(756)	(221)	-	-	-	-	-	-
HCCTR	Increase of 0.5%	-	-	-	-	-	-	-	1,329	-	-	-	-	-	-
	Decrease of 0.5%	-	-	-	-	-	-	-	(1,227)	-	-	-	-	-	-

The variations are insignificant when sensitivity analysis of the discount rate for the DC plan is considered.

Although the analyses do not take into consideration the full distribution of the cash flows expected within the sphere of the plans, such analyses provided an approximate sensitivity of the assumption presented.

(In thousands of Reais)

32.6 Cash flows

	EQTL-MA		EQTL-PA						EQTL -PI		EQTL -AL			
	BD	CD	BD	CD	OP	R	Resolution No. 10/1989	Health care plans	BD	CD	BD	CD	Health and Dental Care	Equatorial CD
1 Cash flow in the year														
Employer's contributions	13	210,542	-	179	-	164	-	1,036	-	-	-	-	5,752	4
Participants' contributions	18	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefits paid using plan assets	13,516	-	19,240	-	128	540	-	1,036	-	-	19,911	-	5,752	-
Benefits paid directly by the company	-	-	-	-	-	-	1,943	-	-	-	-	-	-	-
2 Cash flow estimated for the following year														
Employer's contributions	15	259,054	-	198	-	167	-	1,558	-	-	-	-	6,003	7
Participants' contributions	15	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefits paid using plan assets	13,941	203,719	20,513	203	145	637	-	1,558	-	-	11,898	174	6,003	8
Benefits paid directly by the company	-	-	-	-		-	1,905	-	-	-	-	-	-	-

33 Financial instruments

33.1 General considerations

The Company and its subsidiaries have performed an analysis of their financial instruments including: cash and cash equivalents, market securities, trade accounts receivable, CCC sub-rogation, concession financial assets, contractual assets, trade accounts payable, loans and financing, amounts payable under the in-court reorganization plan debentures and derivatives, and have not made any required adjustments to their accounting records.

The management of these instruments is done through operating strategies and internal controls aimed at liquidity, profitability and security. The control policy consists of permanent monitoring of contractual terms and conditions in comparison with existing market conditions.

Management uses financial instruments to obtain optimum returns on available cash, to maintain the liquidity of assets, to hedge against foreign exchange or interest rate variation and to ensure compliance with applicable covenants, namely net debt over adjusted EBITDA (ND/Adjusted EBITDA) and net debt over net debt plus shareholders' equity (ND/ND+SE).

(In thousands of Reais)

33.2 Derivatives policy

The Company and its subsidiaries use swap derivative transactions to hedge against changes in macroeconomic indexes and against fluctuations in foreign currency quotes. These operations are not carried out on a speculative basis. As at December 31, 2020 and 2019, the Company, through its subsidiaries, had derivative financial instrument operations contracted as a hedge for its foreign currency debts.

33.3 Category and fair value of financial instruments

The fair values of the Company's and its subsidiaries' financial assets and liabilities were estimated through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of market data to estimate the most adequate realization value. As a result, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values

(i) Fair value measurement

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The carrying amounts and market values of the financial instruments included in the statement of financial position as of December 31, 2020 and 2019 are identified below:

Parent Company	**Level**		**2020**		**2019**	
Assets		**Category of financial instruments**	**Amount**	**Market**	**Amount**	**Market**
Cash and cash equivalents	-	Amortized cost	**912**	**912**	1,103	1,103
Cash and cash equivalents (Investment fund)	2	Fair value through profit or loss	**164,657**	**164,657**	535,210	535,210
Market securities	2	Fair value through profit or loss	**642,999**	**642,999**	889,685	889,685
Total assets			**808,568**	**808,568**	1,425,998	1,425,998

Parent Company			**2020**		**2019**	
Liabilities	**Level**	**Category of financial instruments**	**Amount**	**Market**	**Amount**	**Mercado**
Supplier		Amortized cost	**33,007**	**33,007**	2,081	2,081
Loans and borrowings	-	Amortized cost	**-**	**-**	507,358	507,147
Debentures	-	Amortized cost	**566,087**	**569,215**	1,263,854	1,298,762
Total liabilities			**599,094**	**602,222**	1,773,293	1,807,990

(In thousands of Reais)

Consolidated			2020		2019	
Assets	Level	Category of financial instruments	Amount	Market	Amount	Mercado
Cash and cash equivalents	-	Amortized cost	**73,807**	**73,807**	184,082	184,082
Cash and cash equivalents (Investment fund)	2	Fair value through profit or loss	**2,145,739**	**2,145,739**	1,601,121	1,601,121
Market securities	2	Fair value through profit or loss	**5,516,859**	**5,516,859**	4,170,473	4,170,473
Trade accounts receivable	-	Amortized cost	**4,556,844**	**4,556,844**	4,386,355	4,386,355
"A Component" revenue receivable and other financial items	-	Amortized cost	**1,185,784**	**1,185,784**	1,096,690	1,096,690
CCC subrogation - amounts allocated	-	Amortized cost	**85,120**	**85,120**	85,120	85,120
Derivative financial instruments	2	Fair value through profit or loss	**395,761**	**395,761**	60,555	60,555
Concession financial assets - Distribution companies	2	Fair value through profit or loss	**5,665,922**	**5,665,922**	4,945,545	4,945,545
Contractual assets	2	Fair value through profit or loss	-	-	7,399,367	7,399,367
Total assets			**19,625,836**	**19,625,836**	23,929,308	23,929,308

Consolidated		2020		2019	
Liabilities	Category of financial instruments	Amount	Market	Amount	Market
Supplier	Amortized cost	**2,269,989**	**2,269,989**	1,976,110	1,976,110
Loans and borrowings	Amortized cost	**12,787,575**	**13,916,551**	11,104,954	12,266,760
Payables from in-court reorganization	Amortized cost	**960,880**	**1,195,726**	871,899	1,147,856
"A Component" revenue receivable and other financial items	Amortized cost	**924,009**	**924,009**	142,451	142,451
Reimbursable AIC's	Fair value through profit or loss	**106,266**	**106,266**	154,093	154,093
Debentures	Fair value through profit or loss	**5,000,403**	**4,984,271**	5,703,467	5,830,267
Total Liabilities		**22,049,122**	**23,396,812**	19,952,974	21,517,537

This denotes the reimbursement owed to Eletrobras as payment of the reimbursable AICs equal to 50% (fifty percent) of the contribution of each of the assets in the debt compensation base, as defined in the ANEEL Tariff regulation procedures - PRORET, less any amounts recorded after the appraisal-based date of investments necessary to make these assets in progress property, plant and equipment. Equatorial Piauí accordingly provisioned for R$ 44,939 (R$ 70,640 at December 31, 2019) and Equatorial Alagoas R$ 61,327 (R$ 83,453 at December 31, 2019). Following ANEEL ratification of the rate review result, the buyer undertakes to hire a technical consultant to determine the amount of reimbursement owed to Eletrobras.

Cash and cash equivalents - are classified as amortized cost and are recorded at their original values;

- **Market securities (Current asset) -** these are classified as fair value through profit or loss. The fair value hierarchy of market securities is level 2, since most of them are invested in exclusive funds where maturities are limited to twelve months. As such, management understands that their fair value is already reflected in the book value. The significant factors for valuation at fair value are publicly observable such as CDI;

- **Market securities (Noncurrent asset) –**refer to market securities not allocated in cash and cash equivalents, classified as fair value through profit or loss. The hierarchy of fair value of short-term investments is level 2, since most of them, applied in exclusive funds, are reflected in the value of the fund's shares;

- **Trade accounts receivable -** directly derived from the Company's and its subsidiaries' operations and are classified as amortized cost and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable.

- **Financial concession assets -** classified as fair value through profit or loss, financial assets that present an unconditional right to receive a certain amount at the end of the concession term. The relevant factors for determining fair value are publicly observable, such as the IPCA existing in an active market and the depreciation rate determined by the ANEEL resolution, classified in level 2 of the fair value hierarchy;

- **Subrogation of CCC** - amounts allocated: are classified as amortized cost and recorded at amortized Value, used to finance the subsidy for interconnecting islanded municipalities to the National Interconnected Grid – SIN;

- **Trade payables** - derive directly from the Company and its subsidiaries' operations and are classified as liabilities at amortized cost.

- **Loans and financing -** provide funding for the Company's and its subsidiaries' investment programs and may be used to manage short-term requirements. Classified as liabilities at amortized cost and recorded at their amortized amounts. For disclosure purposes, market value of working capital operations were calculated based on equivalent debt rates, informed by B3 and the National Association of Open Market Institutions (ANBIMA).

- **Payables from in-court reorganization plan-** derives from the in-court reorganization plan of the indirect subsidiary Equatorial Pará, classified as liabilities at amortized cost.

- **Debentures -** classified as liabilities at amortized cost and recorded at their amortized amounts. For reporting purposes, the debentures' market values are calculated based on market rates disclosed by the Brazilian Association of Financial and Capital Market Entities - ANBIMA and B3 S.A.;

- **"A Component" mount receivable/payable and other financial items** - derive from non-manageable costs to be passed through in their entirety to the consumer or shouldered by the concession authority. Classified as amortized cost;

- **Derivative financial Instruments -** are measured at fair value through profit or loss and other comprehensive income are used as a hedge against foreign exchange and interest rate fluctuations. For swap transactions, market value has been determined using information from active markets. Tier 2 of the fair value hierarchy;

- **Reimbursable AICs -** are classified as level 2 on the hierarchy at fair value through profit and loss and other comprehensive income, as the sensitivity of fair value is in assets in progress in the net compensation base, depending on expert assessment and full or partial approval by Eletrobras.

Call Option

Since November 2019 the Company holds a repurchase right of the entire preferred shares issued by Equatorial Distribuição, exercisable between November 11, 2022 and November 11, 2026. The purchase price, should the option be exercised, will be R$ 1,000,000 (one billion Brazilian reais) updated by 100% of the CDI interest rate as of November 11, 2019, the option's exercise date less dividends received by the minority shareholder, updated by 100% of the CDI interest rate from the date of payment to the purchase option's exercise date. The noncontrolling shareholder does not hold the shares' sale option, with the exercising of this right being under the Company's control.

This call option is in fair value hierarchy level 3, in which the inputs to measure fair value are not observable, because Equatorial Distribuição does not have shares traded on stock exchanges and its preferred shares have specific features different to those of preferred shares traditionally traded on stock exchanges, as they are entitled to special dividends disproportionate to the percentage interest of this type of share in Equatorial Distribuição' s share capital.

(In thousands of Reais)

The disproportionate nature of dividends in relation to their participation in the share capital would lead the Company to exercise the option even in situations where the share price fell, i.e. in situations in which the company made a loss on exercising the call option. This effect is not usually captured in the call option calculation.

In other words, it should be taken into account that the Company would buy back shares even if the company's value devalued sharply, i.e. even when the value of these preferred shares were R$ 179,180, as in this situation the entitlement to the flow of dividends of 55% is equal to the contribution from the noncontrolling shareholder (R$ 1,000,000).

Fair value measurement
To measure fair value, we used Black & Scholes models and understand that the interest rate and dividend payout on this option until its exercise is irrelevant, since the period price is also corrected by the same interest rate and is also discounted by dividends paid. Thus, the variables used for calculating the traditional option were as follows:

	2020	**2020**
	CALL (a)	PUT (b)
Options value	**322,821**	**157,652**
Fair value of shares on grant date (adjusted by CDI)	1,093,341	1,093,341
Weighted fair value for the year (adjusted by CDI)	1,143,783	1,143,783
Expected volatility (weighted average)	29.65%	29.65%
Option life (weighted average life expectancy)	3.9	3.9

In assessing the estimate, the result of the calculation (a) - (b), at December 31, 2020 was R$ 165,169 (R$ 164 at December 31, 2019). Given that the option's strike price was higher than the spot share price, the fair value of this option was not recorded.

33.4 Derivative financial instruments (Consolidated)

The Company's risk management policy is to hedge its entire foreign currency exposure for loans and financing, taking out cash flow swaps where the long position lies in local currency indexed to CDI and the short position to foreign currency and the contract cost. These contracts are designated as cash flow hedges. .

The Companies determine the existence of an economic relationship between the hedge instrument and the hedged item based on the currency, value and timing of the respective cash flows, assessing whether changes in the cash flow from the hedged item can be offset by changes in the cash flow from the hedge derivative. The method used is the criteria of critical terms - prospective method. The effective test is conducted just once when accounting begins, ascertaining whether all derivative terms are aligned with the hedge terms as regards time frames, amortization, contracted notional value and payment of interest, thus guaranteeing 100% effectiveness of the cash flow.

(In thousands of Reais)

Equatorial Pará

As of December 31, 2020, Equatorial Pará has swap contracts with Citibank for foreign-currency operations, the first of which with final maturity on July 05, 2022, recorded at fair value through other comprehensive income (loss) and the second of which maturing on June 12, 2023, recorded at fair value through profit or loss.

On June 11, 2018, the indirect subsidiary Equatorial Pará borrowed funds amounting to USD 100,000, with quarterly interest and amortization and final maturity on June 12, 2023. The loan incurs the rate USD Libor + 0.84% p.a. + I.R (hedge item), and has a swap recorded at fair value through profit or loss (hedge instrument).

Another loan was taken out on July 05, 2019 for a total of USD 140,000 with quarterly interest and amortization and final maturity on July 05, 2022. This loan incurs the rate USD Libor + 0.79% p.a. + I.R (hedge item), and has a swap recorded at fair value through other comprehensive income (hedge instrument).

As of December 31, 2020, the balances of foreign currency loans and financing with the bank Citibank are R$ 1,254,424 (R$ 976,221 as of December 31, 2019).

The balances of the indirect subsidiary Equatorial Pará's derivative instruments as of December 31, 2020 and 2019 are summarized below:

Payables		**Fair value**	
Market risk hedging purpose	**Indexes**	**2020**	**2019**
Citibank- US$ 140,909			
Long position	US$ + Libor + 0.79% p.a.	**733,842**	576,286
Short position	114% of CDI	**(547,557)**	(557,040)
Total		**186,285**	19,246

Payables		**Fair value**	
Market risk hedging purpose	**Indexes**	**2020**	**2019**
Citibank - US$100,000			
Long position	US$ + Libor + 0.84% p.a.	**521,720**	408,570
Short position	111.8% of CDI	**(394,024)**	(397,896)
Total		**127,696**	10,674
Current net		**100,448**	169
Noncurrent net		**213,533**	29,751
Total		**313,981**	29,920

Specific appraisal methods used for derivative financial instruments: Market prices of the financial institutions. The fair value of interest rate swaps is calculated based on the present value of the future cash flows estimated based on the yield curves adopted by the market.

We emphasize that, since the accounting rules that address this matter require the swap to be accounted for at market value, even if the hedge is perfect from a cash point of view, fluctuations in results may occur.

(In thousands of Reais)

The amounts relating to hedging instruments and hedge ineffectiveness are as follows:

		2020		2020		
Currency risk	**Nominal value**	**Assets**	**Liabilities**	**Heading in the statement of financial position in which the hedging instrument is included**	**Changes in value of the hedging instrument recorded in other comprehensive income (loss)**	**Heading in P&L affected by reclassification**
Swap contract - Hedge for loans in foreign currency	**542,500**	**186,285**	**-**	**Derivative financial instruments**	**2,831**	**N/A**

		2019		2019		
Currency risk	**Nominal value**	**Assets**	**Liabilities**	**Heading in the statement of financial position in which the hedging instrument is included**	**Changes in value of the hedging instrument recorded in other comprehensive income (loss)**	**Heading in P&L affected by reclassification**
Swap contract - Hedge for loans in foreign currency	542,500	19,246	-	Derivative financial instruments	3,644	N/A

Reconciliation per risk category of equity components and analysis of items in other comprehensive income (loss), net of taxes resulting from cash flow hedge accounting are as follows:

	Hedge reserve
Amount at January 1, 2020	**3,644**
Cash flow hedge	
Changes in fair value:	
Currency risk – swap – loans	(813)
Amount at December 31, 2020	**2,831**

(In thousands of Reais)

Equatorial Piauí

As at December 31, 2020, subsidiary Equatorial Piauí has swap contracts with Citibank and Scotiabank, referring to operations in foreign currency.

On April 05, 2019, this subsidiary raised funds amounting to US$ 77,720, with quarterly interest and amortization, and final maturity on April 05, 2022. The loan incurs the rate USD Libor + 0.85% p.a. + I.R (hedged item), and has a swap recorded at fair value through profit or loss (hedging instrument)).

On October 10, 2020, the subsidiary raised funds from Scotiabank, amounting to US$ 35,778, with semi-annual interest and 100% amortization at the end of the contract, and final maturity on October 16, 2023. The loan incurs the rate of 1.4280% p.a. + I.R (hedged item), and has a swap recorded at fair value through profit or loss (hedging instrument).

As at December 31, 2020, foreign-currency loan and financing contracts with Citibank amount to R$ 404,991 (R$ 315,681 at December 31, 2019) and with Scotiabank to R$ 186,587 (Note 17).

As at December 31, 2020 and December 31, 2019, this subsidiary's derivative instruments are summarized as follows:

Payables		**Fair value**	
Market risk hedging purpose	**Indexes**	**2020**	**2019**
Citibank- US$ 77,720			
Long position	US$ + Libor + 0.725% p.a.	**404,619**	317,526
Short position	113.5% do CDI	**(303,157)**	(308,463)
Total		**101,462**	9,063
Scotiabank- US$ 35.778			
Long position	US$ +1.68% p.a.	**190,137**	-
Short position	CDI + 1.58%	**(209,819)**	-
Total		**(19,682)**	-
Current net		**152**	72
Noncurrent net		**81,628**	8,991
Total		**81,780**	9,063

Specific appraisal methods used for derivative financial instruments: market prices of the financial institutions. The fair value of interest rate swaps is calculated based on the present value of the future cash flows estimated based on the yield curves adopted by the market.

(In thousands of Reais)

The amounts relating to hedging instruments and hedge ineffectiveness are as follows:

		2020		2020		
Currency risk	**Nominal value**	**Assets**	**Liabilities**	**Heading in the statement of financial position in which the hedging instrument is included**	**Changes in value of the hedging instrument recorded in other comprehensive income (loss)**	**Heading in P&L affected by reclassification**
Swap contract - Hedge for loans in foreign currency	**500,000**	**81,780**	**-**	**Derivative financial instruments**	**6,839**	**N/A**

		2019		2019		
Currency risk	**Nominal value**	**Assets**	**Liabilities**	**Heading in the statement of financial position in which the hedging instrument is included**	**Changes in value of the hedging instrument recorded in other comprehensive income (loss)**	**Heading in P&L affected by reclassification**
Swap contract - Hedge for loans in foreign currency	300,000	9,062	-	**Derivative financial instruments**	2,736	N/A

Reconciliation per risk category of equity components and analysis of items in other comprehensive income (loss), net of taxes resulting from cash flow hedge accounting are as follows:

	Hedge reserve
Amount at January 1, 2020	**2,736**
Cash flow hedge	
Changes in fair value:	
Currency risk – swap – loans	4,103
Amount at December 31, 2020	**6,839**

(In thousands of Reais)

As at December 31, 2020 and 2019, the consolidated amounts of derivative instruments (indirect subsidiary Equatorial Pará and direct subsidiary Equatorial Piauí) are as follows:

	2020	2019
Net current	**100,600**	17,554
Net noncurrent	**295,161**	43,001
Total	**395,761**	60,555

33.5 Financial risk management

The Company’s and its subsidiaries’ Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The risks described below are a compilation of the findings by the various departments, according to their respective specialties. Management defines the type of treatment and the owners for monitoring each of the risks ascertained, in order to prevent and control them.

The Group’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the Company’s and its subsidiaries’ market conditions and activities. The Company and its subsidiaries, through their training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

For the year ended December 31, 2020, there was no change in the Company’s and its subsidiaries’ risk management policies since the year ended December 31, 2019.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's trade accounts receivable and financial instruments. Management monitors the performance of accounts receivable and bolsters strategy to enhance the management and operational performance of collection initiatives initiated to mitigate the risk of default. A collection workshop is therefore held annually to align accounts receivable recovery strategies.

The Company adopts a collection policy whose guidelines concur with the legislation and specific regulations.

Trade receivables

The accounts receivable of the direct subsidiaries Equatorial Piauí and Equatorial Alagoas, and the indirect subsidiaries Equatorial Maranhão and Equatorial Pará consist of electricity bills and financed energy supply debits overdue for defaulting consumers, the proportionality of which is determined by the features of the concession area.

(In thousands of Reais)

The Companies establish collection policies for customer classes, to reduce default levels and consequently recover receivables. All collection policies established comply with the legislation and specific regulations, which in the case of the electricity sector are Normative Resolution 414 issued by the National Electricity Regulatory Agency - ANEEL.

The participation of accounts receivable from subsidiary consumers is shown below:

	%	
Consumer class (Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas)	**2020**	**2019**
Residential	59%	57%
Industrial	6%	6%
Commercial	15%	17%
Rural	5%	4%
Government	8%	9%
Public lighting	3%	3%
Public utility	4%	4%
Total	100%	100%

The Company's distribution subsidiaries recorded an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables, as presented in note 8.2.

For the financial year ended December 31, 2020 and 2019, the maximum credit risk exposure for trade account receivables by consumer type was as follows:

Distribution

	2020			
Consumer type	**Billed consumers**	**Unbilled consumers**	**Installment payment**	**Total**
Residential	**1,999,365**	**323,781**	**1,542,059**	**3,865,205**
Industrial	**256,541**	**3,569**	**130,699**	**390,809**
Commercial	**546,822**	**65,198**	**410,473**	**1,022,493**
Rural	**212,937**	**19,922**	**81,781**	**314,640**
Government	**153,545**	**17,055**	**326,934**	**497,534**
Public lighting	**112,908**	**586**	**91,301**	**204,795**
Public utility	**115,374**	**10,163**	**117,089**	**242,626**
Total	**3,397,492**	**440,274**	**2,700,336**	**6,538,102**

(In thousands of Reais)

	2019				
Consumer type	**Billed consumers**	**Unbilled consumers**	**Installment payment**	**Low-income and "viva luz" consumers**	**Total**
Residential	1,794,009	282,974	1,456,351	88,764	3,622,098
Industrial	234,839	11,536	116,712	-	363,087
Commercial	561,702	80,155	377,708	-	1,019,565
Rural	181,157	18,862	76,481	-	276,500
Government	199,868	39,785	332,774	-	572,427
Public lighting	91,004	534	94,210	-	185,748
Public utility	106,836	19,112	122,530	-	248,478
Total	3,169,415	452,958	2,576,766	88,764	3,622,098

Evaluation of the expected loss on doubtful accounts (accounts receivable)

The companies Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas adopt the expected losses on doubtful accounts (PECLD) model, which is found based on the aging list of non-receipt of invoices and installment payments of invoiced liabilities arising from the supply of electricity by means of the provision matrix. A provision matrix defines by means of analysis the risk percentages estimates of receivables in accordance with the aging list of electricity bills and installments.

The provision matrix adopted is the outcome of a study on the behavior of bill and installment payments over a 5-year period subjected to analysis, reflecting the consumer experience credit loss background regarding electricity bills and installments, which signals efficiency of the collection policy adopted by the Company’s subsidiaries in 2020.

Provision for expected losses on doubtful accounts (PECLD) are calculated based on sums receivable from consumers, segregated by billing and installment payments according to consumer classes, in values considered sufficient by Management to cover likely losses when realizing credits.

As to the approach for loss recognition, the model employed to measure expected losses with use of the provision matrix, which is based on the default behavior background and related to Management’s experience with collection practices adopted for realizing receivables, it was noted that in the year ended December 31, 2020 there was no need to recognize expected losses, maintaining an expected provision for doubtful accounts, as detailed in explanatory note 8.2.

(In thousands of Reais)

Estimated allowances for doubtful accounts (Consolidated)

RANGE	Gross carrying amount Financing	% Estimated weighted-average loss rate of financed portion	Balance	Gross carrying amount Invoiced	% Weighted-average loss rate of invoiced portion	Balance
Outstanding	1,869,641	28.18%	526,869	934,406	4.17%	38,965
1 to 30 overdue	49,973	27.84%	13,915	401,418	7.33%	29,430
31 to 60 overdue	31,092	41.97%	13,050	123,792	17.60%	21,791
61 to 90 overdue	25,354	53.29%	13,511	76,370	29.43%	22,473
91 to 120 overdue	27,484	57.34%	15,761	66,183	36.22%	23,974
121 to 150 overdue	30,997	58.10%	18,010	54,608	39.73%	21,696
151 to 180 overdue	19,463	62.60%	12,183	35,142	42.67%	14,995
181 to 210 overdue	20,082	64.22%	12,897	30,376	43.26%	13,139
211 to 240 overdue	24,313	65.29%	15,874	35,308	44.48%	15,706
241 to 270 overdue	15,755	66.05%	10,406	31,943	44.87%	14,332
271 to 300 overdue	20,027	67.01%	13,421	42,940	45.07%	19,354
301 to 330 overdue	19,244	67.39%	12,968	47,281	46.10%	21,797
331 to 360 overdue	22,008	67.95%	14,954	51,733	46.35%	23,978
361 to 390 overdue	14,941	68.62%	10,253	34,161	49.29%	16,837
391 to 420 overdue	17,204	69.29%	11,921	37,901	50.48%	19,132
421 to 450 overdue	17,225	69.73%	12,012	38,695	50.93%	19,707
451 to 630 overdue	83,404	72.19%	60,211	181,281	53.21%	96,451
631 to 720 overdue	37,907	75.53%	28,632	78,469	61.97%	48,626
721 to 810 overdue	34,143	76.83%	26,233	77,494	64.04%	49,627
811 to 990 overdue	56,288	77.33%	43,529	146,442	65.43%	95,824
991 to 1080 overdue	25,208	77.61%	19,565	77,287	65.40%	50,543
1081 to 1170 overdue	19,537	81.09%	15,843	68,552	67.31%	46,143
1171 to 1350 overdue	28,984	84.75%	24,565	96,349	68.90%	66,380
1351 to 1530 overdue	21,233	88.31%	18,750	110,123	69.50%	76,538
1531 to 1710 overdue	15,422	92.45%	14,257	87,867	71.49%	62,813
1711 to 1890 overdue	21,122	94.33%	19,925	80,630	87.05%	70,185
More than 1890 overdue	132,285	95.94%	126,906	350,741	90.61%	317,815
Total	**2,700,336**		**1,126,421**	**3,397,492**		**1,318,251**

(In thousands of Reais)

PECLD Other (Consolidated)

Range	Gross carrying amount other	% Average weighted rate loss of Other	Balance
Outstanding	73,376	5.20%	3,813
1 to 30 overdue	19,011	7.19%	1,366
31 to 60 overdue	9,573	18.25%	1,747
61 to 90 overdue	7,018	30.36%	2,130
91 to 120 overdue	5,242	37.36%	1,959
121 to 150 overdue	5,438	39.50%	2,148
151 to 180 overdue	3,143	41.62%	1,308
181 to 210 overdue	1,128	45.26%	511
211 to 240 overdue	869	52.11%	453
241 to 270 overdue	2,131	44.52%	949
271 to 300 overdue	2,566	46.17%	1,185
301 to 330 overdue	2,494	47.54%	1,186
331 to 360 overdue	2,568	48.32%	1,241
361 to 390 overdue	2,075	47.30%	981
391 to 420 overdue	2,128	49.27%	1,049
421 to 450 overdue	2,047	50.50%	1,034
451 to 630 overdue	9,901	55.54%	5,499
631 to 720 overdue	4,667	64.60%	3,015
721 to 810 overdue	5,099	66.91%	3,412
811 to 990 overdue	9,163	68.29%	6,257
991 to 1080 overdue	4,259	67.45%	2,873
1081 to 1170 overdue	2,426	68.30%	1,657
1171 to 1350 overdue	4,134	69.39%	2,868
1351 to 1530 overdue	3,504	69.81%	2,446
1531 to 1710 overdue	2,671	72.36%	1,933
1711 to 1890 overdue	2,679	88.19%	2,362
More than 1890 days overdue	8,552	90.61%	7,748
Total	**197,862**		**63,130***

* The balance of PECLD – other comprises R$ 63,130 and R$ (6,572) relating to recognition in accordance with CPC47/IFRS 15 ((R$ 2,059) of Equatorial Maranhão , (R$ 1,471) of Equatorial Pará, (R$ 460) of Equatorial Alagoas and (R$ 2.582) of Equatorial Piauí). Note 8.2 - Provisions for expected losses on accounts receivable

PECLD not invoiced (Consolidated)

Range	Gross carrying amount not invoiced	% Weighted-average loss rate of non-invoiced portion	Balance
Outstanding	440,274	4.30%	18,948
Total	**440,274**	**4.30%**	**18,948**

Cash and cash equivalents

The Company and its subsidiaries have individual and consolidated cash and cash equivalents of R$ 165,569 and R$ 2,219,546, respectively, as of December 31, 2020 (R$ 536,313 and R$ 1,785,203 as of December 31, 2019). Cash and cash equivalents are maintained with banks and financial institutions with ratings above AA-, assigned by the rating agencies Fitch Ratings and Standard & Poors.

The Company and its subsidiaries consider that its cash and cash equivalents have a low credit risk based on the counterparty's foreign credit ratings. Upon the initial application of CPC 48 / IFRS 9, the Company and its subsidiaries deemed that a provision is not necessary.

Sector financial assets, contractual assets (infrastructure under construction) and concession financial assets

The Company and its subsidiaries' management considers the risk of these credits to be reduced, since the agreements signed ensure the unconditional right to receive cash at the end of the concession to be paid by the Granting Authority: (i) related to costs not recovered through tariff (sector financial asset); and (ii) related to investments in progress and carried out in infrastructure and which were not amortized until the concession expired (contractual assets and concession's financial assets).

Derivatives

Derivatives are taken out from banks and financial institutions whose credit is rated above AA--, and by the rating agencies.

(ii) Liquidity risk

Liquidity risk is that in which the Company and its subsidiaries may eventually encounter difficulties in honoring the obligations associated with their financial liabilities that are settled with cash payments or with another financial asset. The approach of the Company and its subsidiaries in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations upon maturity, both under normal and stress conditions, without causing unacceptable losses or risk of damaging the reputation of the Company and its subsidiaries. To determine the Company's financial capacity of adequately meeting the commitments assumed, the maturity schedule of funds raised and of other liabilities is part of the disclosures. More detailed information on loans taken out by the Company and its subsidiaries is presented in Notes 17 (Loans and financing), 18 (Debentures) and 23 (Payable under the judicial reorganization plan - Equatorial Pará).

The Company and its subsidiaries have obtained funds through its commercial activities, the financial markets, mainly allocating them to its investment program and managing its cash for the purpose of working capital and honoring financial commitments.

For short-term financial investments priority is given to short-term investments, in order to obtain maximum liquidity and cover disbursements. The Company and its subsidiaries' cash generation and excellent stability in receipts and payment obligations in the course of the year enable the Company to obtain stable cash flows, thereby reducing its liquidity risk.

The Company and its subsidiaries aim to maintain the level of its 'Cash and cash equivalents' and other investments with an active market at an amount in excess of expected cash outflows to settle debts over the next 12 months. The availability ratio by short-term debt was 2.4 as of December 31, 2020 (3.1 as of December 31, 2019).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

(In thousands of Reais)

Parent Company

	Gross amount	Total contractual cash flow	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Unsecured bond issues	-	-	-	-	-	-
Subtotals - Loans and Financing	-	-	-	-	-	-
Unsecured bond issues	566,087	655,479	-	22,348	24,164	608,967
Subtotals - Debentures	566,087	655,479	-	22,348	24,164	608,967
Trade payables	33,007	-	-	-	-	-
Total	599,094	655,479		22,348	24,164	608,967

Consolidated

	Gross amount	Total contractual cash flow	2 months or less	2-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Secured bank loans	10,747,364	18,222,046	143,754	1,418,580	1,586,603	4,298,693	10,774,416
Unsecured bank loans	1,454,458	1,468,635	2,496	615,050	520,629	330,460	
Unsecured bond issues	585,753	586,777	586,777	-	-	-	-
Unsecured bond issues					-	-	-
Subtotals - Loans and Financing	12,787,575	20,277,458	733,027	2,033,630	2,107,232	4,629,153	10,774,416
Unsecured bond issues	2,891,122	3,237,867	-	286,779	599,979	2,197,359	153,750
Secured bond issues	2,109,281	2,958,641	11,843	828,896	377,587	728,565	1,011,750
Subtotal - Debentures	5,000,403	6,196,508	11,843	1,115,675	977,566	2,925,924	1,165,500
Secured bank loans	131,306	170,046	1,082	20,142	36,323	94,556	17,943
Unsecured bank loans	829,574	1,736,769	75	60,744	47,726	143,566	1,484,658
Subtotal - Other non-derivative financial liabilities	868.519	960,880	1,906,815	1,157	80,886	84,049	238,122
Supplier	2,269,989	2,129,749	1,277,959	845,095	6,695	-	-
Total	21,018,847	30,510,530	2,023,986	4,075,286	3,175,542	7,793,199	13,442,517
Derivative financial liabilities							
Interest rate swaps used for hedging		260,460	(445)	105,252	53,381	102,272	-
Total		260,460	(445)	105,252	53,381	102,272	-

The outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

As stated in notes 17 and 18, the Company and its subsidiaries also have loans subject to covenants. Future nonperformance of this covenant could result in the Company having to settle the debt early. The covenants are monitored regularly by the financial board and periodically reported to Management to ensure the contract is being performed. The Company and its subsidiaries are not expected to default on any of the covenants established.

(iii) Market risks

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and stock prices - will affect the Company and its subsidiaries' earnings or the value of its financial instruments, and also includes any covenants which, if breached, could result in accelerated maturity as described further in this note. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage market risks. All these operations are conducted observing market behavior and in compliance with the Company’s hedge policy. The Company generally seeks to use hedge accounting to manage volatility in earnings.

(In thousands of Reais)

(iv) Exchange rate risk

This arises from the possibility of the Company and its subsidiaries incurring losses due to exchange rate fluctuations. Part of the subsidiaries' financial liabilities are subject to foreign exchange variations due to the volatility of the exchange rate on balances denominated in foreign currencies, especially the US dollar. At December 31, 2020, the subsidiary Equatorial Maranhão has no exposure to the foreign exchange rate in the debt, the exposure of the subsidiary Equatorial Pará is 26.4% (22.9% as of December 31, 2019), the subsidiary Equatorial Piauí is 17.5% (11.7% as of December 31, 2019), of its debt (related to loans and financing, in-court reorganization creditors and AVP of financial creditors in foreign currency), as shown below:

Consolidated

Index	R$	Average cost (p.a.)	Average final term (month/year)	Average term (years)	Interest (%)
Libor (w/ Swap CDI)	1,846,002	3.3%	Oct/22	1.6	11.5%
Foreign currency	**1,846,002**	**3.3%**	**Oct/22**	**1.6**	**11.5%**
TJLP	141,030	7.6%	Mar/24	1.7	0.9%
CDI	4,846,897	3.6%	Apr/23	2.1	30.1%
Prefixed	1,102,444	10.3%	May/42	13.8	6.9%
IGP-M	328,301	24.4%	Sep/34	11.8	2.0%
IPCA	7,562,349	8.7%	Dec/27	7.9	47.0%
SELIC	257,117	4.5%	Mar/23	1.4	1.6%
Domestic currency	**14,238,138**	**7.4%**	**Oct/27**	**6.3**	**88.5%**
Total	**16,084,140**	**6.9%**	**Mar/27**	**5.7**	**100%**

The Company and its subsidiaries continuously monitor market foreign exchange and interest rates in order to assess any requirement to use derivatives to hedge against the risk of variation in these rates.

The companies Equatorial Pará and Equatorial Piauí have two foreign currency debts, both of which have swaps for protection against exchange rate changes, pursuant to note 33.5.

The companies Equatorial Maranhão and Equatorial Alagoas do not have exposure to the exchange rate in the debt as of December 31, 2020 and 2019.

The sensitivity of the debt has been assessed in five scenarios in accordance with CVM Instruction 475; a scenario with the projected rates for 12 months (Probable Scenario) and another two scenarios with 25% (Scenario II) and 50% (Scenario III) appreciation of the relevant foreign currency.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a weakening of 25% (Scenario IV) and 50% (Scenario V).

(In thousands of Reais)

The currency used in the sensitivity analysis and the respective scenarios is as follows:

			Consolidated				
			Cash flow risk or fair value associated with interest or foreign exchange rates				
			Impact on profit or loss				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial liabilities							
Loans, financing and debentures	USD	(1,846,002)	(1,874,402)	(2,343,002)	(2,811,602)	(1,405,802)	(937,201)
Impact on profit or loss			-	(468,600)	(937,201)	468,600	937,201
Swap – Long Position	USD	1,850,317	1,902,681	2,378,350	2,854,021	1,427,011	951,340
Impact on income (swap)			-	475,670	951,340	(475,670)	(951,340)
Reference for financial liabilities		**Projected rate**	**Projected rate at 2020**	**+25%**	**+50%**	**-25%**	**-50%**
Dollar USD/R$ (12 months)		5.28	5.20	6.60	7.92	3.96	2.64

Source: B3

(v) Interest rate risk

This risk arises from the possibility of the Company and its subsidiaries incurring losses due to changes in interest rates in the economy, which affect loans and financing and financial investments. The Company continuously monitors the changes in indexes in order to assess any requirement to use derivatives to protect itself against the risk of variation to these rates. The impact of these changes on interest earned on financial investments and interest paid on debt are described below.

The sensitivity of the Company's and its subsidiaries' financial assets and liabilities has been assessed in five scenarios.

In accordance with CVM Instruction 475, we present a scenario with the rate projected for 12 months (Probable Scenario) and another two scenarios with 25% (Scenario II) and 50% (Scenario III) appreciation of the relevant indicators.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a decrease of 25% (Scenario IV) and 50% (Scenario V) in these indicators.

			Parent Company				
			Cash flow or fair value risk associated with interest rates				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial assets							
Market securities	CDI	807,656	830,513	836,247	841,982	824,779	819,125
Impact on profit or loss			-	5,734	11,469	(5,734)	(11,388)
Financial liabilities							
Loans, financing and debentures	CDI	(451,915)	(464,704)	(467,913)	(471,121)	(461,495)	(458,332)
	IPCA	(118,776)	(124,109)	(125,439)	(126,782)	(122,779)	(121,447)
Total financial liabilities			(588,813)	(593,352)	(597,903)	(584,274)	(579,779)
CDI			(12,789)	(3,209)	(6,417)	3,209	6,372
IPCA			(5,333)	(1,330)	(2,673)	1,330	2,662
Impact on profit or loss			(18,122)	(4,539)	(9,090)	4,539	9,034
Net effect on income			(18,122)	1,195	2,379	(1,195)	(2,354)

(In thousands of Reais)

			Consolidated				
			Cash flow or fair value risk associated with interest rates				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial assets							
Market securities	CDI	7,580,273	7,794,795	7,848,615	7,902,435	7,740,975	7,687,913
Impact on profit or loss			-	53,820	107,640	(53,820)	(106,882)
Financial liabilities							
Loans, financing and debentures	CDI	(6,563,750)	(6,749,504)	(6,796,110)	(6,842,711)	(6,702,904)	(6,656,958)
	SELIC	(299,592)	(308,070)	(310,197)	(312,324)	(305,943)	(303,846)
	TJLP	(141,030)	(147,517)	(149,139)	(150,761)	(145,895)	(144,273)
	IGP-M	(328,301)	(343,665)	(347,506)	(351,347)	(339,824)	(335,983)
	IPCA	(7,772,537)	(8,121,524)	(8,208,576)	(8,296,406)	(8,034,472)	(7,947,419)
Total financial liabilities			(15,670,280)	(15,811,528)	(15,953,549)	(15,529,038)	(15,388,479)
Impact on profit or loss			-	(141,248)	(283,269)	141,242	281,801
Net effect on income			-	(87,428)	(175,629)	87,422	174,919

Reference for financial assets and financial liabilities	**Projected rate (BMF)**	**Rate at 2020**	**25%**	**50%**	**-25%**	**-50%**
CDI (% 12 months)	2.83	2.76	3.54	4.25	2.12	1.42
SELIC (% 12 months)	2.83	2.76	3.54	4.25	2.12	1.42
TJLP (% 12 months)	4.60	4.98	5.75	6.90	3.45	2.30
IGP-M (% 12 months)	4.68	23.14	5.85	7.02	3.51	2.34
IPCA (%12 months)	4.49	4.52	5.61	6.74	3.37	2.25

Fonte: B3

(vi) Risk of early maturity

The Company and its subsidiaries have loan, financing and debenture agreements containing covenants which in general require the maintenance of economic and financial indexes at certain levels. Failure to adhere to these covenants could result in early maturity of this debt. Management monitors its positions and projects future indebtedness in order to act preventively with respect to indebtedness limits mentioned in notes 17 (Loans and financing) and 18 (Debentures).

In consideration of the contracts subject to in-court reorganization of Equatorial Pará, renewal of the credits led to the suspension of early maturity clauses and financial and non-financial covenants, except where agreed by the parties.

(vii) Risk of energy shortages

The Brazilian Electric System is predominantly supplied by hydroelectric energy generation. A lengthy drought during the wet season will reduce water volumes in reservoirs, resulting in higher energy acquisition costs in the short term and higher system charges due to need to procure energy from thermoelectrical power plants. In the worst-case scenario a rationing program could be introduced, which would result in lower revenue. In order to encourage the rational use of energy, the government issued Decree 8401/2015 which created the Centralizing Account of Rate Flag Funds (flag account) in order to indicate the hydrological situation in the country, thus curbing non-rational energy consumption.

(viii) Risk of electricity rate adjustments

Rate review and adjustment processes are a requirement under concession contracts and use previously defined methodologies. Any changes to current methodologies are required to be extensively discussed with inputs provided by the Company, concession holders and other players in the industry. Where any unforeseeable event affects the economic and financial balance of the concession, the Company is entitled to request that the regulator initiate an Extraordinary Tariff Review to be conducted at the regulator's discretion. ANEEL may also conduct Extraordinary Tariff Reviews where any charges and/or taxes are created, modified or abolished to ensure they are properly reflected in electricity rates.

(ix) Environmental risk

The Company and its subsidiaries guide their actions through their Sustainability Policy, which in our Concessions provides for compliance with legal environmental requirements in the 3 spheres of government (Federal, State and Municipal), aiming at environmental preservation and respect for society, in particular with traditional populations.

In order to control processes and activities subject to environmental impacts, we employ an Environmental Management System based on ISO 14001, which relates such processes and activities to their possible impacts, as well as correlating them with current legislation. For such processes, we have specific procedures intended for preventive control regarding environmental impacts and that involve our own employees and third parties, in addition to other Stakeholders.

Control of the Environmental Management System with chief macroprocesses:

- Environmental Permitting
- Track Cleaning, Pruning and Vegetation Control Activities;
- Waste Management
- Environmental Education and Awareness;
- Management of Legal Requisites;
- Water resource management and
- Standardizing and Control of the Environmental Management System (SGA).

Within such macroprocesses, the Company and its subsidiaries we manage hundreds of environmental licensing and approval processes in order to implement, maintain and operate assets and processes, especially with regard to putting in place Substations, Lines and Power Distribution Networks. The Company also work with the competent environmental agencies to obtain approval for pruning, cleaning tracks and vegetation control, in compliance with legislation and preventing risks to the electrical system.

We include an Environmental Integration stage in our SGA for implementing civil works for the Company and its subsidiaries. This process consists of liaison with suppliers/civil works providers, with regard to licensing and approvals received from environmental agencies. During Environmental Integration meetings, all the processes that were environmentally licensed are passed on to civil works managers and providers, in addition to legal obligations related to compliance with conditions and current legislation, with the aim of minimizing environmental risks in connection with implementing civil works.

(In thousands of Reais)

Additionally, with a view to reducing environmental impacts, the Company and its subsidiaries make use of protected or compact cables in their concession areas that minimize pruning actions and intensities, especially in urban areas with a high density of large trees.

33.6 Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Management also monitors the capital return and level of dividends for shareholders.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position and establishes and monitors indebtedness and liquidity levels as well as financing maturities and costs accordingly.

34 Statements of cash flows

34.1 Transactions not involving cash

The reviewed CPC 03 (R2) – Statements of Cash Flows states that investment and financing transactions not involving cash or cash equivalents should be excluded from the statements of cash flow and presented separately in a note.

All statements not involving the use of cash or cash equivalent, i.e. that are not stated in the statements of cash flow, are shown in the table below:

Consolidated

	Noncash effect
Investment activities	
Transfers between financial assets and contract assets (a)	**539,565**
Transfers between contract assets and intangible assets (a)	**593,064**
Reclassification between financial assets and intangible assets	**850**
Additions to contract assets matched against trade accounts payable (b)	**43,000**
Additions to contract assets matched against obligations and charges on payroll (b)	**132,146**
Total of investment activities	**1,308,625**
Financing activities	
Capitalization of interest on loans (c)	**10,288**
Restatement of PIS and COFINS to be refunded to consumers (d)	**15,701**
Restatement of retirement and pension plans (e)	**639**
Cash flow hedge accounting (f)	**3,228**
Recognition of lease assets and liabilities (g)	**17,049**
Mandatory minimum dividend (h)	**468,217**
Total financing activities	**468,217**
Total	**1,776,842**

(a) These correspond to transfers of contract assets to intangible assets in service and concession-related financial assets;
(b) These refer to additions to contract assets matched against trade accounts payable and obligations and charges on payroll (Note 16);
(c) Capitalization of interest on loans linked to acquisition or construction of qualifying assets recorded in contract assets in accordance with the rules of CPC 20 (R1) – Borrowing Costs;
(d) Adjustment at SELIC rate of PIS and COFINS balances to be refunded to consumers, recorded as additional liabilities matched against additional assets under PIS and COFINS to be recovered;

(In thousands of Reais)

(e) Recognition of differences in fair value of post-employment benefit plans matched against other comprehensive income (loss);
(f) Hedge against exposure to changes in cash flow that may be attributed to specific risks associated with assets or liabilities or that may have an impact on P&L;
(g) Recognition of right-of-use assets in the year; and
(h) Mandatory minimum dividends recorded in the year.

34.2 Changes in loan liabilities

	2019	Cash flow	Payment of interest (*)	New leases	Changes in fair value	Other (**)	2020
Loans and financing	11,104,954	925,752	(379,201)	-	22,435	1,113,635	12,787,575
Debentures	5,703,467	(786,398)	(218,161)	-	-	301,495	5,000,403
Derivative financial instruments	38,983	-	(7,912)	-	-	364,690	395,761
Lease liabilities	29,913	(15,857)	(870)	13,671	-	1,996	28,853
Dividends payable	406,214	(1,620,558)	-	-	-	1,440,654	226,310
Total	**17,283,531**	**(1,497,061)**	**(606,144)**	**13,671**	**22,435**	**3,222,470**	**18,438,902**

(*) The Company and its subsidiaries classify interest paid as cash flows from operating activities.
(**) Changes in "Other" include the effects of the recording of debt charges, interest, net monetary and exchange fluctuations, interest capitalization and recognition of dividends not yet paid at year end. The Company and its subsidiaries classify interest paid as cash flows from operating activities.

35 Segment reporting

The Company reviews the performance of its segments and allocates resources based on a range of factors, of which revenue and operating income are the primary financial factors.

The Company opted to organize the entity around the differences between products and services. The economic segments it operates in are therefore: Distribution, Transmission, Services [i] and Other[ii] whose segment reporting information is shown below:

[i] Services relate to the services provided by 55 Soluções S/A, Equatorial Telecomunicações S.A. and Solenergias Comercializadora de Energia S/A. For further information see note 12.2 - Subsidiaries and joint ventures.

[ii] Other denotes central administration services from the holding operations and shared personnel and infrastructure provided by the companies Equatorial Energia Distribuição S/A, Equatorial Transmissão S/A and Equatorial Energia S/A. For further information see note 12.2 - Subsidiaries and joint ventures.

(In thousands of Reais)

2020

	Distribution	Transmission	Services and Trading	Reconciliation - Management	Reconciliation - Eliminations	Total
Net operating revenue	**14,688,262**	**2,792,348**	**601,525**	**-**	**(192,066)**	**17,890,069**
Operating Costs and Expenses	**(11,447,805)**	**(1,298,799)**	**(424,960)**	**(161,884)**	**192,066**	**(13,141,382)**
Operating income before financial income/expenses	**3,240,457**	**1,493,549**	**176,565**	**(161,884)**	**-**	**4,748,687**
Financial revenue	**1,093,031**	**8,868**	**4,354**	**23,243**	**(2,774)**	**1,126,722**
Finance cost	**(1,399,460)**	**(94,577)**	**39**	**(59,623)**	**2,774**	**(1,550,847)**
	(306,429)	**(85,709)**	**4,393**	**(36,380)**	**-**	**(424,125)**
Equity in the net income of subsidiaries and associated companies	**-**	**-**	**-**	**5,261,477**	**(5,227,737)**	**33,740**
Income tax and social contribution	**(434,139)**	**(415,774)**	**(60,736)**	**-**	**-**	**(910,649)**
Net income (loss) for the year	**2,499,889**	**992,066**	**120,222**	**5,063,213**	**(5,227,737)**	**3,447,653**

2019

	Distribution	Transmission	Services and Trading	Reconciliation - Management	Reconciliation - Eliminations	Total
Net operating revenue	13,262,495	5,271,536	442,135	-	(179,820)	18,796,346
Operating Costs and Expenses	(10,892,533)	(3,173,388)	(383,814)	(135,418)	44,423	(14, 540,730)
Operating income before financial income/expenses	2,369,962	2,098,148	58,321	(135,418)	(135,397)	4, 255,616
Financial revenue	1,690,378	12,594	26,584	33,832	-	1,763,388
Finance cost	(2,124,943)	(67,533)	(164)	(198,408)	-	(2,391,048)
Finance Income/Cost	(434,565)	(54,939)	26,420	(164,576)	-	(627,660)
Equity in the net income of subsidiaries and associated companies	-	-	-	3,937,680	(4,020,974)	(83,294)
Income tax and social contribution	(219,463)	(716,605)	(28,359)	-	-	(964,427)
Net income (loss) for the year	1,715,934	1,326,604	56,382	3,637,686	(4,156,371)	2,580,235

2020

	Distribution	Transmission	Services and Trading	Reconciliation - Management	Reconciliation - Eliminations	Total
Operating assets	**32,292,211**	**10,644,618**	**441,369**	**19,995,209**	**(19,249,387)**	**44,124,020**
Operating liabilities	**23,736,128**	**7,271,503**	**161,277**	**773,763**	**(644,709)**	**31,297,962**

2019

	Distribution	Transmission	Services and Trading	Reconciliation - Management	Reconciliation - Eliminations	Total
Operating assets	26,920,295	8,696,385	234,373	17,284,982	(15,605,940)	37,530,095
Operating liabilities	19,532,836	6,126,191	82,297	2,195,202	(179,804)	27,756,722

(In thousands of Reais)

35.1 Operating revenue by segment

	2020				
	Distribution	Transmission	Services	Eliminations	Total
Electric energy delivery (sale)	272,354	-	-	-	272,354
			334,868		
Electricity sales to distributors	15,839,765	-		-	16,174,633
CVA and other financial items	542,848	-	-	-	542,848
Construction revenue	1,843,132	2,361,172	-	-	4,204,304
Operation and maintenance revenue	-	21,775	-	-	21,775
Other income	1,320,812	735,693	349,831	(192,066)	2,214,270
Total gross revenue	19,818,911	3,118,640	684,699	(192,066)	23,430,184

	2019				
	Distribution	Transmission	Services	Eliminations	Total
Electricity sales to distributors	383,478	-	-	-	383,478
Electricity sales to consumers	15,993,707	-	303,090	-	16,296,797
CVA and other financial items	44,732	-	-	-	44,732
Construction revenue	1,878,597	4,714,857	-	-	6,593,454
Electricity transmission operations	-	6,990	-	-	6,990
Operation and maintenance revenue	-	17,436	-	-	17,436
Other income	552,295	1,093,018	206,165	(179,820)	1,671,658
Total gross revenue	18,852,809	5,832,301	509,255	(179,820)	25,014,545

35.2 Geographic segment

The Company opted to disclose information by economic segment by state in which it operates in the energy distribution sector*:

(a) Distribution operating revenue

	2020				2019			
	Maranhão	**Pará**	**Piauí**	**Alagoas***	**Maranhão**	**Pará**	**Piauí**	**Alagoas***
Net operating revenue	**4,106,994**	**5,874,849**	**2,583,489**	**2,122,93**	3,793,558	5,595,340	2,429,658	1,443,939’

* The distribution subsidiary companies have operational and administrative head offices in the respective states they are operate in. The transmission subsidiary companies, in turn, have their operations in locations away from the administrative head office, which are in Brasília/Federal District, are not therefore analyzed geographically by the Company.

When taking decisions Company executives only analyses distribution companies by geographical segment. Transmission companies are not analyzed in this segment because the transition lines cross through various regions.

(In thousands of Reais)

36 Future commitments

The commitments under long-term power purchase agreements are as follows:

Consolidated

	Term	2020	2021	2022	2023	2023 onwards *
Contracted power (in R$)	2021 a 2032	-	6,260,155	6,482,849	6,879,867	83,188,407
Contracted power (in MWh)	2021 a 2032	-	29,343,834	29,650,356	30,567,290	309,029,066

(*) estimated 12 years after 2022.

The amounts referring to power purchase contracts lasting between 6 and 30 years relate to contract volume at the current price under the appropriate clause of the CCEAR contract and have been approved by ANEEL

Parent Company (R$ Thousand)

	Term	2020	2021	2022	2022 onwards *
Leasing and rentals	2020 to 2028	150	138	127	528

(*) estimated after 2022.

Consolidated (R$ Thousand)

	Term	2020	2021	2022	2022 onwards *
Leasing and rentals	2021 to 2028	11,149	5,091	3,430	9,334
Islanded system	2021 to 2032	437,738	475,577	369,741	360,806
Islanded system (MWh)	2021 to 2032	265,017	308,173	237,351	284,762

(*) estimated after 2022.

37 Insurance

The Company and its subsidiaries maintain insurance policies for amounts deemed sufficient to cover losses caused by possible claims in their equity, as well as for repairs in which they are civilly liable for involuntary, material and/or bodily damages caused to third parties arising from its operations, considering the nature of its activity. The Company’s and its subsidiaries’ insurance policies are signed in accordance with the risk management and insurance policies generally employed by electricity distribution companies.

Given their nature, the risk assumptions adopted do not comprise the scope of an individual and consolidated financial statements audit and were not therefore examined by our independent auditors.

The specification by risk type and effectiveness date of the main insurance contracts according to the insurance policies taken out by the Company and its subsidiaries are denoted below:

(In thousands of Reais)

Consolidated **Risks**	**Maturity**	**Amounts**
Operating risks	(a)	849,337
General civil liability – operations	(a)	120,000
All risks	(a)	1,095
Judicial surety bond	(b)/(c)/(d)	1,724,275
Power auction surety bond	(a)	303,040
Vehicle	(e)	-

(a) Policies in force through 2021
(b) Policies in force through 2023;
(c) Policies in force through 2024;
(d) Policies in force through 2025;
(e) Pursuant to the policy, this insurance only applies to third parties, i.e. there is no insured amount.

(*) 368 insured own vehicles.

38 Subsequent events

Equatorial Energia

Purchase of shares issued by the Company

According to the material fact disclosed on December 4, 2020, the Company approved a Share Buyback Program in order to maximize value generation for its shareholders, by purchasing shares to be held in treasury and subsequently sold or cancelled with no capital decrease. This operation was approved and limited to 50,110,056 common shares, maximum duration of 18 months, from December 07, 2020 to June 07, 2022. In 2021, Equatorial Energia S.A. acquired its shares, as follows: in January, 16,935,700 shares amounting to R$ 378,775; in February, 9,994,000 shares amounting to R$ 219,069; in March, 121,400 shares amounting to R$ 2,428. On March 24, 2021, Equatorial Energia held 28,421,100 common shares of its own issue.

Significant shareholding

On February 19, 2021, in consonance with article 12 of CVM Instruction No. 358, of January 03, 2002, Equatorial Energia received the significant shareholding statement of shareholder Verde Asset Management S.A. (“Verde”). With the acquisition of Company shares, Verde now holds 51,204,855 common shares, which represent 5.07% of Equatorial Energia S.A. capital

Capital increase and distribution of additional dividends

On March 24, 2021, by means of the Board of Directors’ Meeting, a capital increase in the amount of R$ 1,164,998 was approved by means of income reserve payment with no issue of new shares. Additionally, additional dividends of R$ 159,532 were approved, of which R$ 1,127 deriving from net income for the year and R$ 158,405 from the unrealized profits reserve.

Equatorial Maranhão and Equatorial Pará

Transfer of Covid account

The last installment of the Covid account transfer was released by means of ANEEL Decision 46/2021, which recognized R$ 38,127 for Equatorial Maranhão and R$ 118,620 for Equatorial Pará, received on January 12, 2021.

Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas

Payment to CDE referring to EE and R&D program funds

As a result of article 1 of Provisional Executive Order No. 998/2020, ANEEL opened Public Consultation 078/2020 in order to regulate the funds from research and development (R&D), and electric efficiency (EE) projects not yet committed that will be allocated to tariff modicity. According to the proposal presented by the regulator in this consultation, the distribution of percentages should be changed so as to enable the allocation of current funds to the Energy Development Account (CDE), effective as from September 2020, when referred to Provisional Executive Order was published. In addition, a portion of the uncommitted liabilities accumulated by companies will be allocated to CDE. However, after the public consultation, the Executive Order was converted into Law No. 14120/2021 with certain changes relating to the projects to be considered in the committed balance and the minimum percentage to be allocated to R&D and EE projects. Worth mentioning, the payment method and amounts involved have not been regulated yet by ANEEL, which should issue a decision only after approval of the public consultation conclusion in an executive board meeting.

Equatorial Maranhão

Settlement of promissory notes

On January 29, 2021, Equatorial Maranhão settled the 1st Issue of Promissory Notes, as per contractual maturity, amounting to R$ 500,000 plus interest equivalent to 106% of CDI.

Operation in foreign currency with swap - Scotiabank

On February 19, 2021, Equatorial Maranhão received a loan in foreign currency from Scotiabank amounting to US$ 66,500, equivalent to R$350,000 under a currency exposure swap of 100% for the CDI rate + 1.65% p.a., subject to semi-annual interest and amortization of 50% at the end of the 3rd year and 50% in the 4th year, on referred to date.

Settlement of BNDES contracts

On March 03, 2021, Equatorial Maranhão settled in advance contracts 11.2.0841.1, 12.2.1211.1 and 14.2.1233.1 with the Brazilian Development Bank (BNDES), amounting to R$ 3,148, R$ 26,862 and R$ 277,843 respectively, totaling R$ 307,853.

Payment of additional dividends

On March 24, 2021, as per the Board of Directors' Meeting minutes, a capital increase in the amount of R$ 171,879 was approved through payment of income reserve of R$ 27,810 and tax incentive reserve of R$ 144,069, with no issue of new shares. Additional dividends of R$ 396,295, derived from P&L for the year, and R$ 113,567 were also approved (of which R$ 88,659 approved and paid by means of the Board of Directors' meeting held on December 10, 2020 and R$ 24,908 of dividends proposed, derived from the working capital statutory reserve).

Equatorial Pará

Payment of additional dividends

On March 24, 2021, additional dividends of R$ 436,397, derived from P&L for the year, and R$ 80,860 were approved (of which R$ 66,272 approved and paid by means of the Board of Directors' meeting held on December 10, 2020 and R$ 14,588 of dividends proposed, derived from the working capital statutory reserve).

Equatorial Piauí

Merger of FACEPI into EQTPREV

On January 04, 2021, Fundação CEPISA de Seguridade Social – FACEPI was effectively merged into Equatorial Fundação de Previdência – EQTPREV. As from referred to date, the merged entity's statutory bodies were extinct and EQTPREV became responsible for managing the benefit plans previously managed by the merged entity. There is no impact on assisted participants and beneficiaries since benefits will be paid in accordance with the respective plan regulations.

BNDES Financing Agreement No. 20.2.0125.1

On May 29, 2020, Equatorial Piauí entered into a financing agreement with BNDES amounting up to R$ 643,031 and maturing within 20 years, guaranteed by the Company. This financing is intended for implementation of the subsidiary's supplementary investment program from April to December 2020 and for 2021, 2022 and 2023. The agreement is subject to IPCA + 4.38% p.a., and its first release occurred on January 28, 2021 in the amount of R$ 54,500.

Receipt of Refundable AIC

In accordance with Law No. 14120/2021, partial or full payment by means of the General Reversal Reserve (RGR) of undepreciated amounts of distribution assets recorded in property and equipment in course (AIC), computed at the base date used as reference for the bidding process, is subject to the agreement of such distribution company. Although ANEEL has already issued Technical Note 210/2020-SFF/ANEEL, on November 19, 2020, segregation of this amount and computation of the final amount have not yet been approved by the Agency's executive board, since the process was still under way and needed a final approval from Eletrobras for the report issued by an independent valuation company. To date, Equatorial Piauí has not manifested its agreement with this payment via RGR funds. The period for such manifestation will only end on March 31, 2021, pursuant to Official Letter No. 362/2020/SE-MME, identifying the amount of R$ 73,972 referring to net base for purposes of refundable AIC.

Equatorial Alagoas

Merger of FACEAL into EQTPREV

On January 04, 2021, Fundação CEAL de Assistência Social e Previdência – FACEAL was effectively merged into Equatorial Fundação de Previdência – EQTPREV. As from referred to date, the merged entity's statutory bodies were extinct and EQTPREV became responsible for managing the benefit plans previously managed by the merged entity. There is no impact on assisted participants and beneficiaries since benefits will be paid in accordance with the respective plan regulations.

Physical surplus – Ruling 483/21

The Federal Official Gazette (DOU) published on January 27, 2021 instituted Ruling No. 483, of January 25, 2021, whereby the Brazilian Ministry of Mines and Energy authorizes payment to Concessionária Equatorial Alagoas Distribuidora de Energia S.A., with funds from the Overall Reversal Reserve (RGR), referring to amounts not subject to depreciation of electric power distribution assets classified as physical surplus in the full valuation processes of regulatory compensation bases, defined by ANEEL, and deriving from the bids for de-statization addressed by article 8 of Law No. 12783, of January 11, 2013.

The amount authorized and adjusted by IPCA, until the date of the tariff adjustment provided for in the respective Concession Contract of the concession operator is of R$ 29,469 and the tax impact on the authorized amount is of R$ 13,023. This amount will be received in monthly installments, paid in up to three years and adjusted by reference to Selic rate, until the month prior to the month of payment.

Release of BNDES funds – Financing Agreement No. 20.2.0124.1
On May 29, 2020, Equatorial Alagoas entered into a financing agreement with BNDES amounting up to R$ 491,429 and maturing within 20 years, guaranteed by the Company. This financing is intended for implementation of Equatorial Alagoas' supplementary investment program from June to December 2020 and for 2021, 2022 and 2023. The agreement is subject to IPCA + 4.38% p.a., and its first release occurred on January 28, 2021 in the amount of R$ 81,500.

Receipt of Refundable AIC
In accordance with Law No. 14120/2021, partial or full payment by means of the General Reversal Reserve (RGR) of undepreciated amounts of distribution assets recorded in property and equipment in course (AIC), computed at the base date used as reference for the bidding process, is subject to the agreement of such distribution company. Although ANEEL has already issued Technical Note 8/2021-SFF/ANEEL, on January 13, 2021, identifying the amount of R$ 120,475 for refundable AIC, segregation of this amount has not yet been approved by the Agency's executive board. To date, Equatorial Alagoas has not manifested its agreement with this payment via RGR funds. The period for such manifestation will only end on March 31, 2021, pursuant to Official Letter No. 361/2020/SE-MME.

Capital increase and distribution of additional dividends
On March 24, 2021, as per the Board of Directors' Meeting minutes, a capital increase in the amount of R$ 295,227 was approved, of which R$ 163,675 from the income reserve to be allocated and R$ 131,552 from the legal reserve and tax incentive reserve of 2019 and 2020, with no issue of new shares. Additional dividends of R$ 7,164 deriving from P&L for the year were also approved.

SPE 05

Full entry into commercial operation
On January 06, 2021, LT 500 kV Igaporã III/ Janaúba 3 - C2 and the general module of SE Janaúba 3 entered into operation, representing R$ 89,361 in RAP, equivalent to 92.16% of the SPE's total. As such, this indirect subsidiary entered into full commercial operation.

SPE 07

Payment of additional dividends
On March 24, 2021, as per the Board of Directors' meeting minutes, additional dividends of R$ 4,019 were approved, of which R$ 3,671 derived from P&L for the year and R$ 348 from the unrealized income reserve.

SPE 08

Payment of additional dividends

On March 24, 2021, as per the Board of Directors' meeting minutes, additional dividends of R$ 79,468 were approved, of which R$ 64,598 derived from P&L for the year and R$ 14,870 from the unrealized income reserve.

Equatorial Distribuição

Payment of additional dividends

On March 24, 2021, as per the Board of Directors' meeting minutes, additional dividends of R$ 806,880 were approved, derived from P&L for the year.

Board of Directors

Carlos Augusto Leone Piani

Guilherme Mexias Aché

Luís Henrique de Moura Gonçalves

Paulo Jerônimo Bandeira de Mello Pedrosa

Tania Sztamfater Chocolat

Marcos Martins Pinheiro

Eduardo Haiama

Oversight Board

Members

Paulo Roberto Franceschi

Saulo de Tarso Alves de Lara

Vanderlei Dominguez da Rosa

Deputy members
Moacir Gibur

Claudia Luciana Ceccatto de Trotta

Ricardo Bertucci

Executive Board

Augusto Miranda da Paz Júnior
CEO

Humberto Luis Queiroz Nogueira
Officer

Leonardo da Silva Lucas Tavares de Lima
CFO and Investor Relations Officer

Sérvio Túlio dos Santos
Officer

Tinn Freire Amado
Officer

José Silva Sobral Neto
Officer

Geovane Ximenes de Lira
Accounting and Tax Superintendent
Accountant
CRC-PE012996-O-3-S-MA