(A free translation of the original in Portuguese)

VTRM Energia Participações S.A.
(new name: Auren Energia S.A.)

Individual and consolidated financial statements as of December 31, 2021 and independent auditors' report

MESSAGE FROM MANAGEMENT

2021 was a year replete with challenges, ascension and transformation. We remained focused on our short-, medium- and long-term targets and goals aimed at creating one of Brazil's largest renewable energy platforms.

For this, our team worked tirelessly to achieve the best possible results despite the challenging scenario marked by the worst water crisis already seen and by the high volatility of the macroeconomic and energy environment.

Starting with CESP, the results presented reflect a diligent company that is focused on creating value. Two years after privatization, is possible to notice tremendous achievements across all Company's operational fronts. The result reported reflects the impacts of the water crisis which reduced the generation of all hydro assets connected to the SIN, including CESP's plants. With regard to contingent liabilities, the reduction of over R$1.0 billion in the last quarter of the year and totaling more than R$3.0 billion in 2021, demonstrates the successful strategy of dismantling the company's portfolio of lawsuits.

Regarding our wind power assets, the 2021 results show the impact of the accident with the transformers of the Collector Substation of the Ventos do Araripe III wind farm, but it is important to notice that the complex has property and loss of profit insurance that will compensate most of the losses, and this adjustment will be fully realized in the result throughout 2022. It is worth noting that the company's other wind assets continue to perform as expected, with high availability.

In 2021 we concluded the process of raising new sources of capital, through the 1st issue of debentures, for the acquisition of the solar energy project Jaíba V. Additionally, we invested more than R$600 million in the construction of the wind farms Ventos do Piauí II and III, which will start commercial operations in May and be concluded in November 2022.

Finally, on October 18, VTRM sent a corporate reorganization proposal to CESP, aiming to create one of the biggest publicly held companies in Brazil's electricity sector. This proposal was submitted to CESP's Independent Committee, responsible for evaluating the merits of the operation and negotiating the replacement ratio between the companies' shares, whose recommendation was considered and approved by the Board of Directors in January 2022. On February 15, a Shareholders General Meeting was held to deliberate on the matter, and on March 25, 2022, after shareholder approval and the fulfillment of all legal obligations, CESP's shares were incorporated, beginning the success story of Auren Energia.

We are proud of the journey we have taken so far and thank everyone who made this new chapter of our history possible. Our paths are now widening, and I invite you all to join us in this new phase!

FABIO ZANFELICE

Chief Executive and Investor Relations Officer

BUSINESS DESCRIPTION

VTRM is a publicly traded company listed in the Novo Mercado special segment of B3 S.A. – Brasil, Bolsa, Balcão ("B3"), directly controlled by Votorantim S.A. ("VSA") jointly with Canada Pension Plan Investment Board ("CPP Investments"). The Company's registered office is located in the city of São Paulo, state of São Paulo. Since 2018, it has been operating as an investment platform related to the acquisition and development of new renewable energy assets in Brazil, along with its subsidiaries, which plan, build, install, operate and maintain wind, solar and hydropower generation systems, as well as for trading the energy generated by these systems.

The Company currently has a broad and diversified portfolio of 100% renewable energy generation, with total installed capacity of 3.3 GW, of which 2.3 GW from hydropower source and approximately 1.0 GW from wind source (0.6 GW from operational assets and 0.4 GW from projects in advanced stage of construction and slated for startup in 2022). On the energy trading front, the Company is among Brazil's three largest energy traders, with over 2.6 GW average traded in 2020 and a portfolio of more than 500 clients.

As part of its business expansion and diversification strategy, at the end of 2021, the Company announced the acquisition of the Jaíba V solar project, whose complex comprises 13 solar power plants in the Serra de Ibiapaba region, in the municipality of Jaíba (MG), and should reach an installed capacity of 626 MW peak. The project is ready for execution and construction is expected to start in 2022, with commercial operation scheduled for 2023.

CORPORATE GOVERNANCE

The Company's operations are based on ethical principles and sustainable business management, with the focus on innovation and improvement of Environmental, Social and Governance (ESG) practices and supported by the expertise of its shareholders. The ESG pillars are integrated with the Company's strategic plan and are implemented through investments aimed at ensuring business sustainability and perpetuity.

Since the incorporation of the Company, Management has been working on implementing and streamlining good governance practices, enhancing its management model and decision-making processes to keep pace with the dynamic and constantly evolving business environment and in alignment with the interests of its stakeholders.

In this regard, the Company's governance structure is composed of the following bodies: Shareholders Meeting, Board of Directors and Board of Executive Officers. Each of these bodies, according to its own responsibilities and authority, is part of the system of information and decision-making processes at VTRM, contributing to the alignment of interests, solid business performance and creation of sustainable value in the short, medium and long terms.

Also, in order to ensure the proper functioning and formalization of the ESG practices adopted by the Company, the corporate governance system is governed by the Bylaws, Shareholders Agreement, Code of Conduct and Corporate Policies of the Company, which reflect its culture, ethics and integrity standards, sustainable business management and operational transparency.

Corporate restructuring resulting from the VTRM and CESP Operations

As disclosed to the market, on October 18, 2021, Votorantim S.A. ("VSA") and Canada Pension Plan Investment Board ("CPP Investments"), the indirect controlling shareholders of VTRM Energia Participações S.A. ("VTRM"), announced their intention to consolidate the energy assets through

VTRM, with shares listed on the Novo Mercado segment, following the highest corporate governance standards of B3 S.A. – Brasil, Bolsa, Balcão ("B3"). The operation was conducted in two phases:

VTRM Operation:

(i) Contribution of assets through the merger of Votorantim Geração de Energia S.A. ("VGE"), subsidiary of VSA, with the Company such that VTRM now holds its assets.

(ii) As such, VTRM holds the ownership interest in CESP, wind power assets, Votorantim Energia's ownership interest in hydropower plants and Votorantim Comercializadora de Energia (Votener), as well as the expansion projects under development.

(iii) In addition, the shareholder CPP Investments carried out a capital increase of R$1.5 billion in VTRM.

After the VTRM Operation, VSA and CPP Investments hold 54.2% and 45.8%, respectively, in VTRM.

CESP Operation: Merger of shares

To enable the non-controlling shareholders of CESP to hold interest in the New VTRM, the Share Merger phase was established, involving the merger of all CESP shares with VTRM and the consequent attribution, to other CESP shareholders, irrespective of the class or type of shares they hold, of a combination of: (a) new registered, book-entry common shares, with no par value, issued by VTRM; and (b) new registered, book-entry, compulsorily redeemable preferred shares, with no par value, issued by VTRM.

At the end of this merger process, VTRM will be the sole parent company of CESP and the current shareholders of CEP will become shareholders of VTRM.

IPO of VTRM and listing on Novo Mercado

VTRM also submitted a request to CVM for registration as a category "A" publicly traded company and a request to B3 for listing of its shares on the Novo Mercado segment, which was approved on March 23, 2022. The effective listing and trading of VTRM's shares on Novo Mercado was conditioned on the conclusion of the CESP Operation.

After the conclusion of the VTRM Operation and the CESP Operation, VSA, CPP Investments and the non-controlling shareholders are expected to hold 37.74%, 31.94% and 30.32%, respectively, in the capital stock of VTRM (to be confirmed according to the updated amounts on the date of the transactions).

Through the merger of assets at VTRM, Votorantim S.A. and CPP Investments, jointly with the shareholders of CESP, a new cycle of growth and creation of value in the capital markets begins.

More details on the stages of the corporate restructuring are described in Notes 1.1.1(G) and 32.1 to the financial statements of VTRM.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Commitment to society and respect for people support the Company's decisions. As such, VTRM's operations are guided by an assessment of the impacts of its business and the needs of the local communities it interacts with.

As a responsible developer, the Company strives to make a difference every day through environmental preservation good practices. Its environmental management follows a rigorous Policy on Health, Safety, Environment and Social Responsibility, which incorporates the UN Sustainable Development Goals (SDGs) and the best management and governance practices, besides complying with applicable legal requirements.

In partnership with the Votorantim Institute, the Company created a database that compares the social indicators of all the locations where it operates in order to prioritize actions more effectively.

As for COVID-19, the Company continues to work intensively to combat and prevent the pandemic. In 2021, 66 projects were launched with total investments of R$10.4 million in all the regions where the Company operates. In addition, the Company donated food baskets, hygiene kits and personal protective equipment to health professionals in the communities and also provided support to the authorities in managing the crisis. Also in 2021, the Company formulated plans for stakeholder engagement in all its operations in order to strengthen partnerships with communities and support grassroots development.

FINANCIAL PERFORMANCE

In 2021, the Company registered net revenue of R$2.6 billion from energy sales, an increase of R$317 million (14%) from 2020, mainly due to:

- the increase of R$375 million due to: (i) the higher volume and sharp increase in the average price of trading operations carried out by CESP Comercializadora in the period; and (ii) the energy price adjustments in the bilateral agreements of CESP Geradora; and

- which were partially offset by: (i) the reduction of R$71 million in net revenue from the Araripe III wind farm, reflecting the annual reimbursement booked as a result of the incident at the power transformer; and (ii) the increase of R$13 million in revenue from the Piauí wind farm.

Adjusted EBITDA in the period was R$1.0 billion, down 18% from 2020, mainly due to the non-recurring event related to the effect of the renegotiation of hydrological risk (GSF) recognized by the subsidiary CESP in the third quarter of 2021, amounting to R$782 million, and the impairment of this balance in the amount of R$299 million.

ELECTRICITY AND OPERATING COSTS

Electricity and operating costs totaled R$2.0 billion in 2021, increasing R$604 million (43%) from 2020, largely due to:

- Electricity costs of R$1.3 billion, which increased R$549 million, reflecting (i) the increase in the volume of energy acquired to equalize CESP’s energy balance in the year, combined with higher energy prices in 2021 compared to 2020; (ii) increase of energy tariffs; and (iii) the trading operations carried out by CESP Comercializadora;

- Operating costs totaled R$683 million, increasing R$54 million, due mainly to the increase of third party serves, expenses with materials, maintenance and conservations and the increase of expenses with turbines, compared to 2020.in comparison to 2020.

RENEGOTIATION OF HYDROLOGICAL RISK

In 2021, the Company booked R$782 million regarding the effects of hydrological risk at CESP due to the approval of calculations for extending the concessions of the Paraibuna (R$43 million) and Porto Primavera (R$739 million) HPPs.

OPERATING EXPENSES

General and administrative expenses

General and administrative expenses amounted to R$168 million in 2021, increasing R$17 million (11%) when compared to 2020 (R$151 million), reflecting the Company's operations, specially Third Party Expenses due to the increase of expenses related to strategic consulting to support strategic projects.

Other operating revenues, net

Other operating revenue came to R$133 million in 2021, down R$32 million (20%), mainly due to the combination of the following factors: (i) reversal of provision for litigations at CESP (+R$159 million); (ii) provision for impairment of hydrological risk (-R$299 million), partially offset by the reversal of impairment of property, plant and equipment (+R$50 million); (iii) recognition of indemnity for loss of profits in connection with the incident in February 2021 at one of the transformers at the Araripe III substation (+R$46 million); (iv) impact of mark-to-market adjustment of future energy agreements of CESP Comercializadora (+R$34 million); (v) increase in provisions related to social and environmental obligations (+R$4 million); and (vi) higher expenses with third-party services (+R$9 million).

FINANCIAL INCOME (EXPENSE)

In 2021, the Company registered net financial expense of R$767 million, mainly due to the increase of R$45 million (6%), represented by:

- **Financial income:** R$95 million, up R$51 million due to the higher yield on financial investments and adjustment at present value of the sale of investees;

- **Financial expenses:** R$862 million, an increase of R$95 million due to inflation adjustment on debentures and loans and adjustment of the balance of CESP's actuarial liabilities, partially offset by the reduction in the expense with adjustment of the balance of provision for litigation and write-off of inflation adjustment on judicial deposits.

NET INCOME (LOSS)

(RS million)	Debt Balance	Index	Spread	Repayment	Maturity	Rating	Agency
Piauí I	**793.6**						
BNDES	664.5	TJLP	2.16%	Monthly	Jun/34	-	-
Debentures	129.1	IPCA	5.47%	Annual	Jun/24	*AAA(Bra)*	*Fitch Ratings*
Piauí II and III	**549.9**						
BNDES	549.9	IPCA	4.56%	Monthly	Mar/45	-	-
Araripe III	**1,071.7**						
Transfer	436.1	TJLP	3.15%	Monthly	Dec/29	-	-
BNDES	454.7	TJLP	2.49%	Monthly	Jun/35	-	-
Debentures	180.9	IPCA	6.99%	Semiannual	Jul/32	*AA(Bra)*	*Fitch Ratings*
VTRM	**299.7**						
Debentures	299.7	CDI	1.48%	Annual	Dec/24	-	-
CESP	**1,995.9**						
Debentures	299.2	CDI	1.64%	Semiannual	Dec/25	-	-
Debentures	1,696.7	IPCA	4.30%	Semiannual	Aug/30	*AAA(Bra)*	*Fitch Ratings*
Total	**4,710.9**						

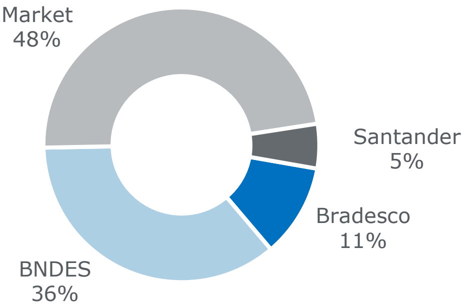
In 2021, the Company registered net income of R$312 million, compared to R$1,650 million in 2020. The decline of R$1,338 million was mainly due to the recognition by CESP, in 2020, of deferred taxes on tax losses and negative tax base as mentioned above, as well as the combined effects of other events described above.

LOANS AND FINANCING

On December 31, 2021, the Company's debt balance was R$4.7 billion, with net debt of R$3.1 billion.

The table below shows the breakdown of debt by type and index:

Debt Profile



*On August 31, 2021, VDP II and III received R$537 million related to the 1st installment of the financing approved by BNDES. The 1st installment of the principal will be due in December 2022 and the final maturity in 2045, with coupon of TJLP + 4.56% p.a.

**In December 2021, VTRM Energia Participações S.A ("VTRM") carried out its first issue of non-convertible, unsecured debentures in a single series, with maturity in December 2024, in the total amount of R$300 million. The 1st issue of debentures of VTRM has a bullet repayment system, i.e., a single repayment in December 2024, and is indexed to the CDI rate + 1.48% p.a.

VTRM Rating

In November 2021, the Company was rated AAA(bra) with a stable outlook by Fitch Ratings, one of the three biggest rating agencies. This is the highest rating, which attests to the Company's ability to honor its financial commitments.

COMPLIANCE WITH COVENANTS

The Company and its subsidiaries evaluated the financial and non-financial covenants established in their debt agreements and noticed that on December 31, 2021, they adequately met all their obligations specified in their loan and financing agreements and concluded that the pandemic did not cause any impact on the fulfillment of any of their obligations.

Note that, specifically for the Debt Service Coverage Ratio (DSCR) financial covenant, the subsidiary Ventos de Santo Estevão Holding S.A. obtained consent from its creditors for non-fulfillment of consolidated Debt Service Coverage Ratio (DSCR) (maintain at ≥ 1.2x) solely in the fiscal year ended 2021. In 2021, this ratio was 0.37x.

PEOPLE MANAGEMENT

Change is part of the Company's routine and, to continue building today a better tomorrow, major changes were made in 2021, including the "*Courage to live the new and the audacity to innovate*" campaign to interact with and engage employees in the Company's transition and adaptation plan to create the new Company. The guidelines and transformations of the plan include:

- creation of new boards;

- preparation of teams;
- planning to integrate different cultures.

In the path to a new structure, our commitment is to continue connecting businesses and people at all fronts.

Despite the difficulties caused by the pandemic, the Company did not cut costs or investments in programs; on the contrary, it invested in the potential of its employees to develop their talent and skills. Numerous hours were dedicated to training mid-level leadership on how to support their teams in order to reduce the stress and anxiety inherent to the times we live in and the moment of restructuring at the Company, to bring confidence and assurance to all the teams.

In 2021, about 20 million hours of training were imparted, equivalent to R$1.4 million in investments in people development programs. Around 500 employees were impacted by more than 128 group actions and 80 actions. Every month, training and development indicators are reported to managers and head of the People & Communication department.

These actions underscore the Company's ESG strategy for developing human capital by training the workforce and providing educational incentives, especially in the diversity, inclusion and agile and inclusive culture fronts, which enable the relocation of internal employees, development of human capital and recognition and / or hiring of talent.

DIVIDEND DISTRIBUTION POLICY

In compliance with the Brazilian Corporations Law and its Bylaws, the Company intends to declare and pay dividends and/or interest on equity in the fiscal years, corresponding to 25% of balance remaining of net income after deducting 5% for legal reserve, which will be paid to shareholders as mandatory dividends.

At the end of each fiscal year, the amount distributed as dividends is recognized as a liability in the financial statements. Any amount above the minimum mandatory amount is provisioned only on the date of its approval by the Shareholders Meeting.

When the Company reports net loss in the period, no dividends will be paid.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Instruction 381 of January 14, 2003, the Company clarifies that in the fiscal year ended December 31, 2021, PricewaterhouseCoopers Auditores Independentes provided audit services for its financial statements. The scope of its activities is defined in specific rules and legislation and includes, but is not limited to, examination, inspection, analysis, investigation and confirmation of evidence.

The Company also hired PricewaterhouseCoopers Auditores Independentes to provide assurance services, with a limited scope, for calculating the Debt Service Coverage Ratio for certain companies of the group, as well as audit services related to the corporate restructuring and the request submitted to CVM for registration as publicly held company, as announced to the market on October 18, 2021, which involved: (i) the re-publication of the financial statements of the Company for 2018, 2019 and 2020 and the quarter ended March 31, 2021, all in accordance with CVM's standards and rules; and (ii) the review of pro forma financial information, included in the request for registration as a publicly held company.

In addition, on July 28, 2021, the Company hired PricewaterhouseCoopers Corporate Finance & Recovery Ltda. to provide due diligence services in the investment valuation process, for R$622,741, which corresponds to approximately 28% of all the fees paid by the Company to PricewaterhouseCoopers Auditores Independentes for audit services. For the purpose of such hiring, no aspects were identified that could conflict with the independent audit works resulting from any conflict of interests and/or loss of independence or objectivity of the auditors, given the nature of the same as a consulting service in the valuation of companies for potential acquisition by the Company.

APPROVALS AND FINAL CONSIDERATIONS

In compliance with CVM Instruction 480/09, the statutory Board of Executive Officers of the Company declares that it has discussed, reviewed and agreed with the opinions expressed in the independent auditor's report and the financial statements for the twelve-month period ended December 31, 2021.

The Company once again thanks the entire Votorantim group, especially its employees, suppliers, clients, institutional partners and the Board of Directors, who believed in the Company and, with remarkable resilience, audacity and dedication, contributed to its best results ever, taking VTRM to a new level of excellence.

2022 will be no different: it will be a year of many challenges and achievements and, as part of its expansion and exploration strategy, the Company will continue to maintain high and consistent levels of deliveries.

São Paulo, March 28, 2022.

____________________________________ ____________________________________

Fabio Rogerio Zanfelice   Cesar Augusto Conservani

____

Frederico Ferreira Sarmento

A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Shareholders
VTRM Energia Participações S.A.

Opinion

We have audited the accompanying parent company financial statements VTRM Energia Participações S.A. (the "Company"), which comprise the balance sheet as at December 31, 2021 and the income statements, statements of comprehensive income, of changes in equity and of cash flows for the year then ended, as well as the accompanying consolidated financial statements of VTRM Energia Participações S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated income statement, statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

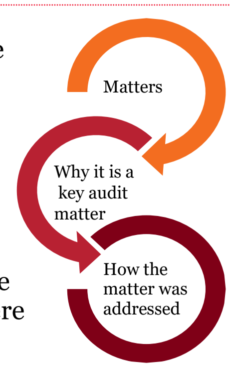
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VTRM Energia Participações S.A. and of VTRM Energia Participações S.A. and its subsidiaries as at December 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as 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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, 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 audit 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 parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We planned and performed the December 31, 2021 audit on the basis that the operations of the Company and its subsidiaries were similar to that of the prior year. Therefore, the key audit matters as well as our audit approach were consistent with those of the prior year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
GSF - Generation Scaling Factor - Note 1.1.1(b) and 11(c)	
In September 2021, the National Electric Energy Agency (ANEEL) confirmed the extension of the grant for the hydroelectric plants forming part of the Energy Reallocation Mechanism - MRE, pursuant to the Electric Energy Trading Chamber ("CCEE") calculations, which include the plants of its subsidiary CESP - Companhia Energética de São Paulo ("CESP"), HPP Paraibuna and HPP Porto Primavera. The CESP Board of Directors agreed to renegotiate the hydrological risk for these plants once ratified. CESP is not involved in any lawsuits regarding this matter. Upon the ratification of the grant extension and terms being agreed for hydrological risk, CESP recorded an intangible asset of R$ 781,974 thousand against "Cost recovery" in the statement of income. The useful life of the renegotiated hydrological risk asset and of those assets with useful lives limited to the concession period, were adjusted to conform to the new concession terms for each plant. Following the renegotiation of hydrological risk and extension of the concession, Management reassess the recoverability of the intangible asset through studies of projected cash flows of future operations and the indemnification due at the end of the concession. Management concluded that UHE Porto Primavera required a provision for impairment of R$ 299,452 thousand, which was recognized in the statement of income in "Other operating income (expenses), net". Significant judgment, based on numerous assumptions, is required of Management in making projections to estimate the recoverable value of the intangible asset, including energy generation (MWh), contracted prices and discount rates, among others. This was considered to be a key audit matter due to the potentially significant effects on the Company's equity and financial position from Management's selection of assumptions used in the impairment analysis.	Our audit approach considered, among others, the following audit responses: • Obtained from Management its understanding of the underlying facts; • Examined the approvals provided by the governance bodies; • Compared the amounts ratified by ANEEL with those recorded by CESP; • Assessed Management's policies for the preparation and approval by the governance bodies of the projections, as well as the analysis of the main assumptions used for the projections; and • Analyzed the disclosures in the explanatory notes. Based on our audit procedures, we consider that the amounts recorded, the impairment test assumptions used and Management's calculations and its disclosures to be consistent with the information obtained in all material aspects, within the context of the financial statements taken as a whole.

pwc

VTRM Energia Participações S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Employee pension entity - Note 22	
The Company and its subsidiaries sponsors health care and retirement plans for its employees and former employees and their respective beneficiaries which supplement the benefits provided by the government's social security system. The net liabilities for these defined benefit plans total R$ 1,785,499 thousand at year end. The determination of the balance relied on actuarial assumptions such as discount rate, long-term annual inflation rate, general mortality, demographic and economics, estimates of medical costs, as well as historical data on employee expenditures and contributions. The actuarial calculations were performed by an independent actuary hired by Management using actuarial hypotheses and participant census data for the supplementary retirement and health plans. Determining the present value of the plans requires the exercise of significant judgment. As the use of a different set of estimates and assumptions to support the present value of the plans could produce results significantly different from those recorded by Management, this was considered a key audit matter.	Our audit approach considered, among others, the following audit responses: • Discussed with Management its basis for determining the defined benefit and complementary health plan actuarial obligations; • Assessed the relevant internal controls relied upon by Management to measure the defined benefit plan actuarial obligations; • Examined the principal criteria used to determine the individual reserve for selected participants as well as the actuarial hypotheses and assumptions used by the actuary, such as the discount rate, estimated inflation, mortality tables, demographic and economic estimates, cost estimates for medical services, as well as historical data on employee expenses and contributions, as applicable; • Reviewed the mathematical accuracy of the actuarial calculations; and • Tested, on a sample basis, the consistency of participant census data used by the actuaries for the December 31, 2021 valuation. Our procedures were performed with the assistance of our actuarial experts and also included the evaluation of the disclosures in the individual and consolidated financial statements. Based on the audit evidence obtained through our procedures, we consider that the criteria for measuring post-employment benefits, as well as the respective disclosures in the explanatory notes, to be consistent with the underlying documentation, in all material aspects, in the context of the individual and consolidated financial statements taken as a whole.

Why it is a Key Audit Matter	**How the matter was addressed in the audit**

Provision - Note 21

The Company and its subsidiaries has provisions to cover probable risk of losses arising from legal proceedings at December 31, 2021 of R$ 1,329,412 thousand. It also has tax, civil, environmental, labor and expropriation lawsuits in progress totaling R$ 2,142,837 thousand, for which no provisions were recorded in the consolidated financial statements, as the risk of loss is classified by Management, under the advice of the Company's internal and external legal counsel, as being possible but not probable.

Estimating provisions and contingent liabilities involves inherent uncertainties in determining the amounts and realization periods.

Determining the need for and the amount of a provision for contingent liabilities requires Management to exercise significant judgment in estimating the probability of future outflows of funds.

Disclosures in the note to the financial statements requires significant judgment in assessing doctrinal and jurisprudential interpretations used to estimate the amounts and the probability of cash outflows.

This was considered a key audit matter as the selection by Management of different estimates and assumptions for the legal proceedings provisioned and disclosed might significantly affect the financial statements.

Our audit approach considered, among others, the following audit responses:

Evaluating the procedures for recognizing provisions and their consistency with the accounting policies and their respective disclosures. This involved:

- Understanding and assessing the relevant internal controls used by Management for identifying and measuring the Company's legal processes;
- Assessing, with the support of our specialists, the consistency of criteria and assumptions used for measuring, recognizing and classifying the risk of loss, as prepared by Management under the advice of its internal and external legal counsel;
- Obtaining confirmations of legal processes directly from outside legal counsel; and
- Discussion of the more significant items with the Company's governance bodies.

We consider that the criteria and assumptions adopted by Management to determine the provision for lawsuits and contingencies, as well as the contingent liability disclosures, to be consistent with the assessments of internal and external legal counsel and other information obtained.

Recoverability of fixed and intangible assets from concession contracts (impairment test) - Note 11(c)

On December 31, 2021, the Company and its subsidiaries presented fixed and intangible assets in its consolidated financial statements of R$ 8,980,282 thousand and R$ 2,366,432 thousand, arising substantially from investments in public concession infrastructure contracts.

Management performs, an impairment test annually of these assets, based on the value in use

Our audit approach considered, among others, the following audit responses:

Discussion with Management of the approved and disclosed business plans. This involved:

- Evaluating Management's policies for the preparation and approval by the governance bodies of the projections,

Why it is a Key Audit Matter	How the matter was addressed in the audit
method, which requires significant judgment in selecting assumptions for the projections, such as generation of energy (MWh), contracted prices, discount, among others. We considered the impairment test of fixed asset and intangibles to be key audit matter due to the significance of the balance and complexity involved in determining recoverability. Significant judgment is required to estimate future cash flows as these are sensitive to macroeconomic and market conditions. Applying different judgments and assumptions could produce results significantly different from those determined by Management.	as well as an analysis of the main assumptions used in the projections; • Reviewing the sensitivity analysis for the projections under different intervals and scenarios; and • Assessing the adequacy of the disclosures in the explanatory notes. Based on our audit procedures, we consider that the impairment test and the disclosure assumptions used by Management to be consistent with the underlying documentation in all material aspects in the context of the financial statements.
Realization of income tax and social contribution tax credits - Note 15	
At December 31, 2021, the Company and its subsidiaries presented deferred tax assets for income and social contribution tax losses and temporary differences of R$ 3,408,893 thousand. These assets were recorded based on Management's belief that sufficient taxable profits will be available to offset these credits in the future based on its studies. Management's projections of taxable income requires significant judgment in the selection of assumptions, such as generation of energy (MWh), contracted prices, discount rate, among others. The estimates for recoverability of deferred tax assets could be significantly affected if a different set of assumptions and data used for the projections of taxable income were applied. Estimating the timing of the realization of tax loss carryforwards, negative basis of social contribution and temporary differences also requires significant judgment by Management. For these reasons and also due to the significance of the balances in relation to the Company's equity, we considered this a key matter in our audit.	Our audit approach considered, among others, the following audit responses: Discussion with Management of the approved and disclosed business plans. This involved: • Assessment of Management's policies for the preparation and approval by the governance bodies of the projections, as well as the analysis of the main assumptions used in the projections; • With the assistance of our specialists, examining the tax bases used to calculate deferred taxes with reference to current tax legislation; and • An analysis of the adequacy of the disclosures in the explanatory notes. Based on our audit procedures we consider the assumptions and processes adopted to be reasonable.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Assets subject to indemnity - Note 9	
At December 31, 2021, the subsidiary CESP - Companhia Energética de São Paulo presented an "Assets subject to indemnity", net of provision for losses balance of R$ 1,739,161 thousand arising from indemnities from the termination of the Três Irmãos, Ilha Solteira and Jaguari concession contracts. Although the Company has a claim in the courts for a higher indemnification amount, it has limited the asset recognition to the amount Management considers to be undisputed. This was a key audit matter in our audit, particularly because of the nature of the risks inherent to the assumptions, such as the determination of the undisputed amount, any price-level indexation adjustments of the book values, among others. This required Management to exercise its judgment and a different results could significantly affect the value of the asset and, consequently, the results for the year.	Our audit approach considered, among others, the following audit responses: Obtaining an understanding of the history of the administrative process, analysis of the main publications concerning normative resolutions, ordinances, official letters and technical notes from the regulatory authority. We also assessed, with the support of our specialists, the continuing legal dispute upon which Management relied to estimate the undisputed amount involved. We analyzed the adequacy of the disclosures presented in the explanatory notes. We consider that the criteria and assumptions adopted by Management to determine the asset subject to indemnification, as well as the disclosures made, to be consistent with the data and information obtained, considering the individual and consolidated financial statements as a whole.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2021, prepared under the responsibility of the Company's Management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company 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 in 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 parent company and consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

VTRM Energia Participações S.A.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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 parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

São Paulo, March 25, 2022

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes Ltda.
(PricewaterhouseCoopers
Auditores Independentes new name)
CRC 2SP000160/O-5

Carlos Eduardo Guaraná Mendonça
Contador CRC 1SP196994/O-2

Contents

Individual and consolidated financial statements

Balance sheet 11
Income statement 13
Comprehensive income statement 14
Statements of changes in net equity 15
Cash flow statements 16
Statement of added value 18

Management's Explanatory Notes to Individual and Consolidated Financial Statements

1 General considerations 19
2 Presentation of financial statements and summary of accounting practices 28
3 New standards, amendments and interpretations of standards issued by the CPC and IASB 33
4 Presentation of information by business segment 34
5 Cash and cash equivalents, financial investments and liquidity fund – reserve account 38
6 Accounts receivable from customers 40
7 Project orders - R&D 41
8 Bonds and court deposits 42
9 Asset subject to indemnification 43
10 Investments 45
11 Property, plant, and equipment 49
12 Intangible assets 54
13 Loans and financing 58
14 Suppliers 62
15 Current and deferred income tax and social contribution 62
16 Energy futures contracts 65
17 Sector charges 66
18 UBP – Use of a public asset 67
19 Social and environmental obligations and asset demobilization 68
20 Provision for reimbursement 69
21 Provisions 71
22 Post-employment benefits 73
23 Related parties: 78
24 Net equity 80
25 Revenue 82
26 Costs and expenses 84
27 Net financial income 85
28 Financial instrument and risk management 86
29 Insurance 94
30 Long term commitments 95
31 Subsequent events 95

VTRM Energia Participações S.A.
(new name: Auren Energia S.A.)
Balance sheet
Years ended December 31
In thousands of reais
(A free translation of the original in Portuguese)

		Parent Company		Consolidated	
	Note	2021	2020	2021	2020
Assests					
Current					
Cash and cash equivalents	5	383.149	101.711	1.595.818	1.102.652
Financial investments	5.1	-	-	77.751	-
Liquidity fund - reserve account	5.2	-	-	6.153	6.740
Accounts receivable from customers	6	-	-	328.631	384.390
Taxes to be recovered		4.898	3.322	36.714	65.624
Dividends receivable	23	160.963	246.679	-	-
Related parties	23	-	-	3.678	7.043
Project orders - P&D	7	-	-	5.076	52.685
Energy futures contracts	16	-	-	270.815	103.139
Other assest		6.163,00	660	18.935	21.712,00
		555.173	352.372	2.343.571	1.743.985
Assets held for sale		-	-	8.428	-
		555.173	352.372	2.351.999	1.743.985
Non-current					
Long-term receivables					
Liquidity fund - reserve account	5.2	-	-	100.048	76.295
Related parties	23	58.590	-	66.311	11.421
Bonds and court deposits	8	-	-	195.968	260.496
Deferred income tax and social contribution	15 (b)	-	-	3.408.893	3.954.680
Warehouse		-	-	6.042	6.199
Energy futures contracts	16	-	-	341.292	25.297
Asset subject to indemnification	9	-	-	1.739.161	1.739.161
Other assest		-	-	842	355
		58.590	-	5.858.557	6.073.904
Investments	10	4.405.443	3.943.471	-	-
Fixed assets	11	3.331	159.969	8.980.282	8.825.418
Intangible assets	12	281.748	122.967	2.366.432	1.770.768
Right of use on lease agreements		27	110	5.283	6.433
		4.749.139	4.226.517	17.210.554	16.676.523
Total do ativo		5.304.312	4.578.889	19.562.553	18.420.508

In thousands of reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Liabilities and net equity					
Current					
Loans and financing	13	-	-	208.959	128.977
Suppliers	14	8.146	37.544	225.578	147.934
Leases		31	87	1.824	1.787
Derivative financial instruments	28.2	-	-	12.699	95.084
Energy futures contracts	16	-	-	282.619	120.475
Estimated obligations and payroll		1.512	2.342	23.893	25.729
Taxes payable		4.781	7.706	37.709	53.614
Sector charges	17	-	-	20.170	76.507
Dividends payable and interest on equity	23	13.952	279.302	249.692	632.008
UBP - Use of a public asset	18	-	-	42.462	41.307
Social and environmental obligations and asset demobilization	19	-	-	44.065	34.478
Provision for reimbursement	20	-	-	325.557	64.582
Other liabilities		28.196	48	126.728	24.381
		56.618	327.029	1.601.955	1.446.863
Non-current					
Loans and financing	13	299.674	-	4.501.915	3.620.711
Suppliers	14	74.216	41.538	74.216	41.538
Leases		-	31	3.674	4.820
Derivative financial instruments	28.2	-	-	-	9.141
Energy futures contracts	16	-	-	337.697	29.405
Taxes payable		-	-	13.396	10.525
Sector charges	17	-	-	-	1.240
Related parties:	23	46.658	-	64.182	16.970
Deferred income tax and social contribution	15 (b)	330.998	330.317	352.024	357.238
UBP - Use of a public asset	18	-	-	87.531	114.057
Social and environmental obligations and asset demobilization	19	-	-	270.276	229.335
Provision for reimbursement	20	-	-	7.970	76.221
Provisions	21	-	-	1.329.412	1.748.306
Post-employment benefits	22	-	-	1.785.499	2.412.379
Other liabilities		38.745	617	86.291	48.103
		790.291	372.503	8.914.083	8.719.989
Total liabilities		846.909	699.532	10.516.038	10.166.852
Net equity	24				
Capital stock		3.000.836	2.977.983	3.000.836	2.977.983
Profit reserves		1.861.941	1.537.852	1.861.941	1.537.852
Equity valuation adjustments		(405.374)	(636.478)	(405.374)	(636.478)
		4.457.403	3.879.357	4.457.403	3.879.357
Net equity attributes to controlling shareholders		4.457.403	3.879.357	4.457.403	3.879.357
Interest of non-controling shareholders		-	-	4.589.112	4.374.299
Total net equity		4.457.403	3.879.357	9.046.515	8.253.656
Total liabilities and net equity		5.304.312	4.578.889	19.562.553	18.420.508

In thousands of Reais, unless otherwise stated

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Net revenue from the sale of energy and services provided	25	-	-	2.624.114	2.307.057
Electricity cost	26	-	-	(1.328.735)	(779.350)
Operation cost	26	-	-	(682.676)	(628.426)
Renegotiation of hydrological risk	1.1.1 (b)	-	-	781.974	-
Gross profit		-	-	1.394.677	899.281
Operating income (expenses)	26				
General and Administrative Expenses		(34.934)	(25.847)	(168.597)	(151.054)
Other operating income, net		30.898	3.476	133.821	165.878
		(4.036)	(22.371)	(34.776)	14.824
Operating profit (loss) before equity interests and financial income		(4.036)	(22.371)	1.359.901	914.105
Income from equity interests					
Equity	10 (b)	48.882	653.952	-	-
		48.882	653.952	-	-
Net financial income	27				
Financial revenues		30.849	3.863	95.079	44.304
Financial expenses		(16.325)	(6.015)	(862.126)	(766.710)
		14.524	(2.152)	(767.047)	(722.406)
Profit before income tax and social contribution		59.370	629.429	592.854	191.699
Income tax and social contribution	15 (a)				
Current		50	(8.236)	(40.325)	(47.049)
Deferred		(681)	3.616	(240.883)	1.505.820
Net profit for the year attributed to shareholders		58.739	624.809	311.646	1.650.470
Net profit for the year attributable to controlling shareholders		58.739	624.809	58.739	624.809
Net profit for the year attributable to non-controlling shareholders		-	-	252.907	1.025.661
Net profit for the year		58.739	624.809	311.646	1.650.470
Basic and diluted profit per thousand shares, in reais		0,0296	0,3148	0,1570	0,8314

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

In thousands of reais

		Parent company		Consolidated	
	Note	**2021**	**2020**	**2021**	**2020**
Net profit for the year		58.739	624.809	311.646	1.650.470
Other components of comprehensive income for the year to be subsequently reclassified under income					
Derivative financial instruments, net of tax effects	24 (d)	24.914	(35.162)	62.276	(87.777)
Other components of comprehensive income for the year that will not be subsequently reclassified under income					
Remeasurement of retirement benefits, net of tax effects	24 (d)	207.820	(394.188)	519.474	(982.899)
Loss in investee interest	24 (d)	(1.630)	-	(3.345)	-
Total comprehensive income for the year		289.843	195.459	890.051	579.794
Net profit for the year attributable to controlling shareholders				289.843	195.459
Net profit for the year attributable to non-controlling shareholders				600.208	384.335
				890.051	579.794

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

In thousands of reais

	Note	Capital stock	Profit reserve: Legal	Profit reserve: Retention	Accumulated profits	Equity valuation adjustment	Total	Participation of non-controlling shareholders	Net equity
On January 1, 2020		2.977.983	29.188	1.032.248	-	(207.128)	3.832.291	4.348.954	8.181.245
Net profit for the year		-	-	-	624.809	-	624.809	1.025.661	1.650.470
Other components of comprehensive income		-	-	-	-	(429.350)	(429.350)	(641.326)	(1.070.676)
Total comprehensive income for the year		-	-	-	624.809	(429.350)	195.459	384.335	579.794
Allocation of income for the year									
Constitution of legal reserve		-	31.240	-	(31.240)	-	-	-	-
Mandatory minimum dividends		-	-	-	(148.393)	-	(148.393)	(358.990)	(507.383)
Profit retention		-	-	445.176	(445.176)	-	-	-	-
Contributions and distributions to shareholders		-	31.240	445.176	(624.809)	-	(148.393)	(358.990)	(507.383)
As of December 31, 2020		2.977.983	60.428	1.477.424	-	(636.478)	3.879.357	4.374.299	8.253.656
Net profit for the year		-	-	-	58.739	-	58.739	252.907	311.646
Comprehensive income for the year		-	-	-	-	231.104	231.104	347.301	578.405
Total comprehensive income for the year		-	-	-	58.739	231.104	289.843	600.208	890.051
Additional dividends proposed	1.1.2 (f)	-	-	-	-	-	-	(150.050)	(150.050)
Reversed dividends	1.1.2 (g)	-	-	279.302	-	-	279.302	-	279.302
Increase in share capital	1.1.2 (d)	22.853	-	-	-	-	22.853	-	22.853
Dividends and interest on unclaimed equity		-	-	-	-	-	-	107	107
Allocation of income for the year	24 (c)								
Constitution of legal reserve		-	2.937	-	(2.937)	-	-	-	-
Mandatory minimum dividends		-	-	-	(13.952)	-	(13.952)	(235.452)	(249.404)
Profit retention		-	-	41.850	(41.850)	-	-	-	-
Contributions and distributions to shareholders		22.853	2.937	321.152	(58.739)	-	288.203	(385.395)	(97.192)
As of December 31, 2021		3.000.836	63.365	1.798.576	-	(405.374)	4.457.403	4.589.112	9.046.515

In thousands of reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Cash flows from operating activities					
Profit before income tax and social contribution		59.370	629.429	592.854	191.699
Adjustments to items that do not represent changes in cash and cash equivalents					
Depreciation and amortization	26	3.604	377	558.995	531.523
Goodwill amortization	26	-	-	34.959	34.848
Write-off of fixed assets		-	-	(3.248)	592
Renegotiation of hydrological risk	26	-	-	(781.974)	-
Provision (reversal) of impairment of fixed and intangible assets	26	-	-	248.520	(7.589)
Equity	10 (a)	(48.882)	(653.952)	-	-
Interest and exchange variations		4.921	-	421.627	287.518
Appropriation of funding costs	13 (c)	-	-	13.739	26.333
Write-off of court deposits	8 (a)	-	-	75.185	86.936
Operational hedge accounting	28.2	-	-	114.905	116.295
Energy futures contracts	26	-	-	(13.235)	21.444
Cost of post-employment benefit services	22 (b)	-	-	3.613	(489)
Constitution (reversal) of provisions		-	-		
Reversal of provision for litigation	21 (a)	-	-	(425.693)	(266.595)
Provision for reimbursement	20 (c)	-	-	192.724	91.598
Provision of social and environmental obligations	19	-	-	7.607	4.206
Balance updates		-	-		
Provision for litigation	21 (a)	-	-	167.516	315.757
Post-employment benefits	22 (b)	-	-	158.122	59.622
Court deposits	8 (a)	-	-	(9.221)	(7.623)
Adjustment to present value		-	-		
Social and environmental obligations	19	-	-	10.354	13.819
UBP - Use of a public asset	18	-	-	5.631	6.791
Operations with related parties		(11.932)	-	(11.749)	(1.945)
Leases		6	12	247	264
		7.087	(24.134)	1.361.478	1.505.004
Decrease (increase) in assets					
Accounts receivable from customers		-	-	55.759	(72.303)
Taxes recoverable		(1.576)	8.382	31.479	(7.093)
Warehouse		-	-	157	1.412
Bonds and court deposits	8 (a)	-	-	(1.436)	4.170
Related parties:		-	-	7.436	3.933
Other credits and other assets		(5.482)	5.855	55.924	14.796
Increase (decrease) in liabilities					
Suppliers		(177)	74.198	106.865	110.618
Derivative financial instruments	28.2	-	-	(112.073)	(105.123)
Estimated obligations and payroll		(830)	639	(1.836)	2.529
Taxes payable		(2.875)	(784)	(13.358)	13.642
Sector charges		-	-	(62.116)	(13.130)
Payment of social and environmental obligations	19	-	-	(17.291)	(9.644)
Payment of UBP - Use of a public asset	18	-	-	(42.155)	(29.263)
Payment of litigation	21 (a)	-	-	(160.717)	(115.231)
Payment of post-employment benefits		-	-	(1.533)	(1.330)
Other obligations and other liabilities		568	316	71.482	(76.834)
Cash from (invested in) operations		(3.285)	64.472	1.278.065	1.226.153
Interest paid on loans and financing	13 (c)	-	-	(221.180)	(208.973)
Income tax and social contribution paid		-	-	(40.001)	(86.772)
Net cash from (invested in) operating activities		(3.285)	64.472	1.016.884	930.408

In thousands of reais

		Parent company		Consolidated	
	Note	**2021**	**2020**	**2021**	**2020**
Cash flows from investing activities					
Financial investments		-	-	(75.328)	-
(Redemption) reserve account investment		-	-	(19.065)	(1.389)
Acquisition of fixed assets and intangible assets		(100.353)	(159.969)	(672.661)	(179.080)
Sale of fixed assets		-	-	11.712	-
Acquisition of investment in Ventos do Piauí II and III		-	(125.060)	-	(123.261)
Acquisition of investment in Jaíba V Holding S.A.		(39.873)	-	-	-
Increase of capital in investees	10 (b)	(282.678)	(48.452)	-	-
Receipt of dividends and interest on equity		386.657	258.550	-	-
Net cash from (invested in) investment activities		(36.247)	(74.931)	(755.342)	(303.730)
Cash flows from financing activities					
Fund raising	13 (c)	300.000	-	838.860	1.501.290
Settlement of loans and financing	13 (c)	-	-	(104.991)	(1.596.052)
Cost of fund raising	13 (c)	(1.790)	-	(20.988)	(51.210)
Increase in share capital		22.853	-	22.853	-
Settlement of leases		(93)	(94)	(1.748)	(1.661)
Payment of dividends and interest on equity		-	-	(502.362)	(363.749)
Net cash invested in financing activities		320.970	(94)	231.624	(511.382)
Increase (decrease) in cash and cash equivalents		281.438	(10.553)	493.166	115.296
Cash included from the merger of SF Ninety Two Participações S.A.		-	60.151	-	-
Cash and cash equivalents at the start of the year		101.711	52.113	1.102.652	987.356
Cash and cash equivalents at the end of the year		383.149	101.711	1.595.818	1.102.652
Main transactions that did not affect cash					
Capital contribution to Ventos do Piauí II and III	1.1.2 (b)	192.781	-	160.397	-
Partial spin-off of Ventos de São João Paulo II Energias Renováveis SA	1.1.2 (a)	(32.384)	-	-	-
Merger of SF Ninety Two Participações Societárias S.A. - Investment in CESP		-	1.429.188	-	-
Merger of SF Ninety Two Participações Societárias S.A. - CESP added value		-	30.582	-	-
Merger of SF Ninety Two Participações Societárias S.A.		-	(1.401.107)	-	-

In thousands of reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Generation of added value					
Gross revenue	25	-	-	3.146.076	2.702.460
Provision for reimbursement	25	-	-	(192.724)	(91.598)
Other operating revenues	26	46.253	3.476	55.371	15.504
		46.253	3.476	3.008.723	2.626.366
Inputs	26				
Purchased energy and electricity usage grid charges		-	-	(1.328.735)	(779.350)
Renegotiation of hydrological risk		-	-	781.974	-
Third party services		(30.443)	(16.693)	(148.877)	(103.969)
Other operating costs		(9.663)	(1.533)	(36.655)	(39.535)
		(40.106)	(18.226)	(732.293)	(922.854)
Gross added value		6.147	(14.750)	2.276.430	1.703.512
Retention	26				
Depreciation and amortization		(3.604)	(377)	(558.995)	(531.817)
Goodwill amortization		-	-	(34.959)	(34.848)
Energy futures contracts		-	-	13.235	(21.444)
		(3.604)	(377)	(580.719)	(588.109)
Net added value generated		2.543	(15.127)	1.695.711	1.115.403
Transfers					
Equity	10 (b)	48.882	653.952	-	-
Financial revenues	27	30.849	3.863	95.079	44.304
Deferred income tax and social contribution (i)	15 (c)	(681)	3.616	(240.883)	1.505.820
		79.050	661.431	(145.804)	1.550.124
Others	26				
Reversal of provision for litigation		-	-	425.693	266.644
Write-off of court deposits		-	-	(60.256)	(63.284)
(Provision) reversal of impairment of fixed and intangible assets		-	-	(248.520)	7.589
Insurance		-	-	(9.362)	(9.605)
Other net operating revenues (expenses)		-	-	(7.607)	(4.206)
		-	-	99.948	197.138
Added value to be distributed		81.593	646.304	1.649.855	2.862.665
Added value distribution					
Personnel	26				
Direct remuneration		3.767	6.311	53.352	55.518
Social charges		2.217	803	25.273	21.326
Benefits		595	130	17.706	8.277
		6.579	7.244	96.331	85.121
Third-party capital remuneration					
Interest and exchange variations	27	4.921	617	793.718	672.580
Other financial expenses	27	11.404	5.398	68.408	94.130
Rents	26	-	-	10.189	9.510
		16.325	6.015	872.315	776.220
Intrasectoral - Regulatory charges	25				
Financial compensation for the use of water resources - CFURH		-	-	37.618	51.389
Research and Development - R&D		-	-	15.706	15.098
Inspection Fee for Electricity Services - TFSEE		-	-	7.180	6.656
Global Reversion Reserve - RGR		-	-	1.773	2.579
		-	-	62.277	75.722
Taxes and social contributions					
Federal		(50)	8.236	307.129	275.048
Municipal		-	-	157	84
		(50)	8.236	307.286	275.132
Equity remuneration	24 (c)				
Dividends		13.952	148.393	13.952	148.393
Retained profits		44.787	476.416	44.787	476.416
Net profit for the year attributable to non-controlling shareholders		-	-	252.907	1.025.661
		58.739	624.809	311.646	1.650.470
Added value distributed		81.593	646.304	1.649.855	2.862.665

(i) Considering the effects in the year, the Company adopted the accounting policy of demonstrating the effect of deferred income tax and social contribution within the value added group for distribution.

1 General considerations

VTRM Energia Participações S.A. (new name: Auren Energia S.A., adopted at the Extraordinary General Assembly held in March 23,2022), "Company" or "VTRM", headquartered in the city of São Paulo - SP, is a holding company structured as an investment platform for investments related to the acquisition and development of new renewable energy generation assets in Brazil. The purpose of its subsidiaries is the planning, construction, installation, operation and maintenance of wind, solar and hydroelectric energy generation systems, as well as the sale of the energy produced by these systems.

The Company is directly jointly controlled by Votorantim Geração de Energia S.A. ("VGE") and the Canada Pension Plan Investments Board ("CPP Investments").

As of February 3, 2022, Votorantim S.A. ("VSA") became the holder of the shares that belonged to VGE, as described in note 31.1 (a) – Corporate reorganization resulting from the VTRM and CESP operations. Therefore, the Company is jointly controlled by VSA and CPP Investments.

In February 25, 2022, the Company was registered as a publicly-held company category "A" with the Brazilian Securities and Exchange Commission ("CVM" and "Abertura de Capital") and was granted the request for listing with B3 S.A. – Brasil, Bolsa, Balcão ("B3"), with the admission of its shares to trading on the special New Market segment ("Novo Mercado Listing"). Further details in Note 31 - Subsequent Events. On March 23, 2022, it was announced to the market that the shares of the Company will be listed, under ticker AURE3, in the segment of the New Market of B3 S.A. - Brazil, Stock Exchange, Counter and the beginning of trading takes place on March 28, 2022.

The activities of its operating subsidiaries are regulated and inspected by the Brazilian Electric Energy Agency ("ANEEL").

In thousands of Reais, unless otherwise stated

The Company's operation hydroelectric and wind operating power subsidiaries have the following characteristics:

	Capacity (Mwm)	Location	Start	End
Hydroelectric plants				
HPP Porto Primavera	1.540,0	Rosana - SP and Batayporã - MS	01/23/1999	04/15/2056
HPP Paraibuna	87,0	Paraibuna - SP	04/24/1978	06/03/2022
Wind generation complex				
Ventos de Santa Albertina Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de Santo Afonso Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de Santo Agostinho Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de Santo Alberto Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de São Adeodato Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de São Casimiro Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de São Vinicius Energias Renováveis S.A.	29,4	Curral Novo do Piauí - PI	03/10/2016	03/10/2051
Ventos de Santo Augusto I Energias Renováveis S.A.	18,4	Simões - PI	08/18/2014	08/18/2049
Ventos de Santo Augusto II Energias Renováveis S.A.	27,6	Simões - PI	08/18/2014	08/18/2049
Ventos de Santo Augusto VI Energias Renováveis S.A.	29,9	Simões - PI	09/03/2014	09/03/2049
Ventos de Santo Augusto VII Energias Renováveis S.A.	18,4	Simões - PI	08/25/2014	08/25/2049
Ventos de Santo Augusto VIII Energias Renováveis S.A.	18,4	Simões - PI	09/03/2014	09/03/2049
Ventos de Santo Estevão I Energias Renováveis S.A.	25,3	Araripina - PE	09/02/2014	09/02/2049
Ventos de Santo Estevão II Energias Renováveis S.A.	25,3	Araripina - PE	09/03/2014	09/03/2049
Ventos de Santo Estevão III Energias Renováveis S.A.	29,9	Araripina - PE	09/03/2014	09/03/2049
Ventos de Santo Estevão IV Energias Renováveis S.A.	29,9	Araripina - PE	05/11/2015	05/11/2050
Ventos de Santo Estevão V Energias Renováveis S.A.	27,6	Araripina - PE	09/02/2014	09/02/2049
Ventos de Santo Onofre IV Energias Renováveis S.A.	27,6	Simões - PI	05/11/2015	05/11/2050
Ventos de São Virgílio I Energias Renováveis S.A.	29,9	Simões - PI	05/08/2015	05/08/2050
Ventos de São Virgílio II Energias Renováveis S.A.	29,9	Simões - PI	08/20/2015	08/20/2050
Ventos de São Virgílio III Energias Renováveis S.A.	19,8	Curral Novo do Piauí - PI	05/08/2015	05/08/2050
Ventos de Santa Alexandrina Energias Renováveis S.A.	42,0	Curral Novo do Piauí - PI	05/27/2022	11/10/2055
Ventos de Santo Alderico Energias Renováveis S.A.	37,8	Betânia do Piauí - PI	09/02/2022	11/10/2055
Ventos de Santo Alfredo Energias Renováveis S.A.	42,0	Curral Novo do Piauí - PI	06/24/2022	11/10/2055
Ventos de Santo Antero Energias Renováveis S.A.	46,2	Ouricuri and Araripina - PE	07/22/2022	11/10/2055
Ventos de Santo Apolinário Energias Renováveis S.A.	33,6	Curral Novo do Piauí - PI	05/13/2022	11/10/2055
Ventos de São Bernardo Energias Renováveis S.A.	42,0	Ouricuri - PE	08/19/2022	11/10/2055
Ventos de São Caio Energias Renováveis S.A.	37,8	Betânia do Piauí and Paulistana - PI	11/11/2022	11/10/2055
Ventos de São Ciriaco Energias Renováveis S.A.	46,2	Paulistana - PI	09/16/2022	11/10/2055
Ventos de São Ciro Energias Renováveis S.A.	37,8	Betânia do Piauí - PI	10/28/2022	11/10/2055
Ventos de São Crispim Energias Renováveis S.A.	46,2	Curral Novo - PI	09/30/2022	11/10/2055
	2.602,3			

1.1 Main corporate events in 2021

1.1.1 Main operational events

(a) Incident at the Ventos do Araripe III substation

On February 12, 2021, a new incident at the collector substation that interconnects the companies of the Ventos do Araripe III complex caused the shutdown of the remaining power transformer of this substation. This fact caused the total interruption of all energy generation flow of the complex, since the other transformer was out of operation as a result of the accident that occurred in June 2020. The wind park returned to its commercial operations on April 29, the final date of the repair of the transformer for the first event was concluded.

Regarding the second event, the Management of Araripe III contacted the transformer manufacturer and the main companies in the sector to obtain an opinion on the feasibility of its repair or need for replacement, and, due to a favorable opinion on the repair, it proceeded with the repair, with a completion deadline contractually scheduled for April 2022.

In thousands of Reais, unless otherwise stated

The interruption in the flow of energy generation from the complex was reflected in the provision for annual reimbursement that the companies calculated monthly due to the effective generation of energy, with a consequent reduction in the companies' net revenue, which will occur until the situation is normalized. This impact tends to be minimized due to the insurance policy that the subsidiaries have for the main risks associated with the assets, including damage to transformers, with coverage for material damage and loss of profits.

During 2021, Management discussed with the insurance company the assumptions involved for calculating the indemnity for the accidents and field its claim for evaluation.

On December 28, 2021, the amounts of R$ 5,439 were recorded by Ventos de Santo Augusto, referring to the indemnification of the portion of damages to these materials and which was received by the data package, and R$ 46,253 by the Company, referring to the remuneration of the portion of lost profits, the amount of which was received in two installments, of which R$ 44,501 was received on December 28, 2021 and R$ 1,752 received on February 16, 2022.

(b) Renegotiation of the Hydrological Risk GSF (Generation Scaling Factor)

The subsidiary CESP had been accompanying the enactment of Law No. 14,052. The Law, enacted on September 9, 2020, which establishes new conditions for the renegotiation of the hydrological risk of electricity generation, determining the compensation of generating companies through an extension of the concession term of their grants due to the occurrence of non-hydrological risks that had a negative impact on the GSF after 2012.

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

- **i.** its agreement with the terms proposed in Official Letter No. 36/2021, allowing an addendum to the Concession Agreement No. 3/2004 to be signed for the inclusion of a provisional extension of 6 months of the concession for the Paraibuna Hydroelectric Power Plant (HPP);
- **ii.** the forwarding of a statement to ANEEL informing that the Company is not interested in continuing the request for a 30-year extension of the concession for the Paraibuna HPP, which, therefore, shall end with the conclusion of the definitive extension due to the compensation described in Law No. 14,052/2020;
- **iii.** Adherence to the renegotiation of the hydrological risk for the Paraibuna and Porto Primavera plants and consequent extension of the grant, due to the compensation described in Law No. 14,052/2020.

Pursuant to Ratifying Resolutions No. 2,919 of August 3, 2021 and No. 2,932 of September 14, 2021, ANEEL approved the grant extension period for the hydroelectric plants participating in the Energy Reallocation Mechanism ("MRE"), according to calculations by the Electric Energy Commercialization Chamber ("CCEE"), which include the Paraibuna and Porto Primavera HPPs, respectively.

Plant	Value	Impairment - provision	Accumulated amortization	Net intangible	Extension period	Grant end date
HPP Paraibuna	43.294	-	(18.554)	24.740	15 months	June 3, 2022.
HPP Porto Primavera	738.680	(299.452)	-	439.228	7 years	April 13, 2056
Total	781.974	(299.452)	(18.554)	463.968		

The subsidiary CESP is not a party to a lawsuit on the subject, having no amounts owed in regards to hydrological risk, with suspended payment within the scope of the CCEE financial settlement, and the option for the renegotiation does not depended on the disbursement of cash or any payment of premium by the subsidiary CESP.

Upon the ratification of the extension terms and adherence to the hydrological risk renegotiation, CESP recorded the intangible asset (Note 12 (a)) as a contra entry to the item Cost Recovery in the Income Statement (Note 26), in the total amount of R$ 781,974. The useful life of the hydrological risk renegotiation asset, as well as the assets that have a useful life according to the concession term (Grant, Use of public property, land and others) will be adjusted according to the new concession terms of each plant. In the registration of the renegotiation of the hydrological risk of UHE Paraibuna, there was recognition of the amount of R$ 18,554 of amortization, for the period from March to September 2021, after approval by ANEEL.

(c) Hydraulic restrictions at the Porto Primavera HPP

Considering the persistence of the hydrological crisis scenario in the country in 2021, and especially in the Paraná River basin, where the Porto Primavera HPP is located, caused by significantly below average precipitation in the main hydrographic basins with hydroelectric plants that are part of the National Interconnected System ("SIN"), with the worst hydrological sequences in the history of flows recorded in 91 years, government authorities have determined, as of the end of 2020, measures to ensure the hydraulic governance of the basin, including by reducing the minimum flows practiced.

In this context, and considering the Water Emergency Alert issued by the National Meteorology System ("SNM") and the National Water Agency ("ANA") Resolution that declared the critical situation of water resource scarcity in the Paraná River basin, which was in force until November 30, 2021, as well as the technical studies by the National System Operator ("ONS"), a set of urgent measures to ease hydraulic restrictions was established, which was adopted, on an exceptional basis, as an alternative to facing water scarcity and its various impacts, given the risk of compromising the energy generation power supply to comply with the SIN.

These measures included the easement of the flow of Porto Primavera HPP, as approved by IBAMA in the Work Plan for Reducing the Outflow of Porto Primavera HPP. At the end of August 2021, figures considered environmentally safe were resumed, according to increases required by the ONS.

The CREG (Chamber of Exceptional Rules for Hydroenergetic Management, created by Provisional Measure 1,055/2021), in its last two meetings held in 2021, deliberated on measures related to flexibilization of the effluent flow of the Porto Primavera HPP in 2022.

The water crisis had a relevant effect on the financial performance of the subsidiary CESP in 2021. Like all other hydroelectric power generators, the subsidiary CESP was penalized for the dip in production and the worsening of the GSF, as can be observed in Note 26 – Costs and expenses.

(d) Ratification of TUST

Ratifying Resolution No. 2,896 of July 13, 2021, established the value of the Tariffs for the Use of the Transmission System ("TUST") of electricity for elements of the National Interconnected System, effective from July 1, 2021 to June 30, 2022. The new tariff applied to the Porto Primavera HPP is R$ 10.815/kW, an increase of 24% in relation to the tariff of the previous cycle (R$ 8.721/kW).

(e) Main debt fundings

(i) Debt fundings of the VDP II and III complex

On August 31, 2021, the companies from Piauí II and III raised the amount of R$ 537,000, in local currency, with BNDES, with the first installment of the principal due in December 2022 and final maturity in 2045 and interest rates IPCA + 4.56% pa (Note 13 (d)). The funds raised are being used for the construction of wind farms.

(ii) Debt fundings from VTRM

On December 15, 2021, the Company issued its first simple, single series, unsecured debenture, maturing in December 2024, in the total amount of R$300,000. indexed to CDI + 1.48% p.a. (Note 13 (d)). The funding is being used for the acquisition of renewable energy projects.

(f) Sale of interest in VTRM investees in VDP 2/3 x Companhia Brasileira de Aluminio – "CBA"

VTRM concluded, on September 30, 2021, having met the conditions precedent set out in the share sale agreement signed on August 14, 2020, with the company CBA, the sale of its 49% interests in the investees Ventos de Santo Anselmo and Ventos de Santo Isidoro for the total amount of R$ 64,387.

On August 14, 2020, a shareholders' agreement was signed, determining, among other things, (i) that the risks and benefits (access to returns) on the investments will be fully assumed by VTRM, and (ii) an option to purchase these shares granted by the counterparty to VTRM and a put option on these shares granted by VTRM to the counterparty after the period of ten (10) years, or at any time, even before the end of the period of ten (10) years in the cases indicated in Shareholders' Agreement, for the same amount as the sale. As VTRM currently has full access to the returns of these investees, the proportion allocated to its investments was determined taking this fact into account.

Therefore, the consolidated financial statements, as of December 31, 2021, include the full balances of these investees, as well as the balance receivable due to the sale of shares, in the amount of R$ 58,590, which will be received in five (5) annual installments as of January 2023, and the balance payable for the future purchase option, in the amount of R$ 46,658, to be settled in a single installment. Both balances are recorded at present value and were calculated using a risk-free discount rate based on the country's inflation, forecast for the year.

(g) Corporate reorganization - consolidation of energy assets and listing of shares on the Novo Mercado

On October 18, 2021, the indirect controlling shareholders of VTRM, Votorantim S.A. ("VSA") and CPP Investments, entered into a non-binding memorandum of understanding for the corporate reorganization aimed at (i) the consolidation of certain energy assets, whereby the shareholders of VTRM agreed to exercise their votes to combine the operations in a reverse manner, where VTRM incorporates the balances of its shareholder VGE and, (ii) VTRM obtains registration as a publicly-held company with the Brazilian Securities and Exchange Commission ("CVM") and the admission of its shares to trading on the Novo Mercado segment of B3 SA – Brasil, Bolsa, Balcão ("B3").

Under the terms of the agreement signed between VSA and CPP Investments, the reorganization was expected to take place in two main stages, called "VTRM Operation" and "CESP Operation":

<u>VTRM Operation:</u>

(a) Contribution of assets through the reverse merger of VGE into VTRM, so that VTRM now holds an interest in the following assets:

(i) Interest of 50% in the capital stock of Pinheiro Machado Participações S.A. ("Pinheiro Machado"), whose generation assets include HPP Machadinho (Consórcio Machadinho), corresponding to 100% of its preferred shares

(ii) Interest of 66.6667% in the capital stock of CBA Energia Participações S.A. ("CBA Energia"), whose generation assets include HPP Campos Novos and HPP Barra Grande, corresponding to 100% of its preferred shares;

(iii) Interest of 66.6667% in the share capital of Pollarix S.A. ("Pollarix"), whose generation assets include HPP Amador Aguiar I and II (Consórcio Capim Branco), HPP Picada, HPP Igarapava (Consórcio Igarapava) and HPP Campos Novos, corresponding to 100% of the preferred shares of its issuance;

(iv) 100% interest in Votener – Votorantim Comercializadora de Energia Ltda.'s capital stock, corresponding to 16,438,442 shares issued.

(b) In a subsequent act, the cash contribution through the increase of the capital stock of VTRM, to be subscribed and paid in national currency by CPP Investments, in the amount of R$ 1.5 billion, through the issuance of 365,803,013 new shares attributed to CPP Investments;

After the implementation of the VTRM Operation, VSA and CPP Investments now hold equity interests of approximately 54.2% and 45.8% in the share capital of VTRM, respectively.

CESP Operation:

(a) VTRM IPO and listing on the Novo Mercado, through the submission of the application for registration as a publicly-held company category "A" to the CVM and listing on the Novo Mercado of B3, with the effective listing and trading of VTRM shares on the Novo Mercado Market, conditioned to the conclusion of the CESP Operation stage.

(b) Merger of shares issued by CESP by VTRM, so that CESP becomes a wholly-owned subsidiary of VTRM, upon delivery to CESP's non-controlling shareholders of new redeemable common and preferred shares issued by VTRM, replacing the merged shares issued by CESP that they hold.

Following the implementation of the VTRM Transaction and CESP Transaction, VSA, CPP Investments and the non-controlling shareholders are expected to hold equity interests of approximately 37.74%, 31.94% and 30.32% in the capital stock of VTRM, respectively (to be confirmed according to the values updated on the date of the transactions).

Details regarding the stages of the corporate reorganization after December 31, 2021 are described in note 31.1 - Subsequent Events.

1.1.2 Main corporate events
Changes:

(a) Partial spin-off in subsidiary

On February 18, 2021, the Company carried out the partial spin-off of the investment in the subsidiary São João Paulo II, reducing capital of the subsidiary, as per note 1.1.2 (b); this transaction had no accounting effect. The spun-off portion was merged as follows:

In thousands of Reais, unless otherwise stated

Developer	Subsidiaries	Partial spin-off of subsidiary: Previous percentage	Current percentage	Value
Ventos de Santo Ângelo Energias Renováveis S.A.	Ventos de São Ciríaco Energias Renováveis S.A.	0%	100%	4.966
Ventos de Santo Ângelo Energias Renováveis S.A.	Ventos de Santa Alexandrina Energias Renováveis S.A.	0%	100%	4.813
Ventos de Santo Ângelo Energias Renováveis S.A.	Ventos de São Caio Energias Renováveis S.A.	0%	100%	4.092
Ventos de Santo Anselmo Energias Renováveis S.A.	Ventos de Santo Antero Energias Renováveis S.A.	0%	100%	5.036
Ventos de Santo Anselmo Energias Renováveis S.A.	Ventos de São Crispim I Energias Renováveis S.A.	0%	100%	4.969
Ventos de Santo Anselmo Energias Renováveis S.A.	Ventos de Santo Alderico Energias Renováveis S.A.	0%	100%	4.375
Ventos de Santo Isidoro Energias Renováveis S.A.	Ventos de Santo Apolinário Energias Renováveis S.A.	0%	100%	4.133
				32.384

(b) Capital transactions in subsidiaries

In the year ended December 31, 2021, capital transactions at the subsidiaries were approved, via bank and asset transfers, as shown in the following table:

	Paid-in capital of the subsidiaries in					
		Capital increase by VTRM				
	2020	Via bank transfer	Via asset transfer	Reduction in share capital (Note 1.1.2 (a))	Capital increase other shareholders	2021
Subsidiaries						
Ventos de Santo Estevão Holding S.A.	575.000	28.626	4.123	-	-	607.749
Ventos de Santo Anselmo Energias Renováveis S.A	760	86.402	14.380	-	-	101.542
Ventos de São João Paulo II Energias Renováveis S.A.	53.991	33.102	42.009	(32.384)	-	96.718
Ventos de Santo Ângelo Energias Renováveis S.A	496	81.216	13.871	-	-	95.583
Ventos de Santa Alexandrina Energias Renováveis S.A. (i)	5.350	3.314	16.804	-	15.701	41.169
Ventos de Santo Antero Energias Renováveis S.A. (i)	5.649	1.528	18.484	-	15.451	41.112
Ventos de Santo Apolinário Energias Renováveis S.A. (i)	4.379	6.601	13.443	-	16.301	40.724
Ventos de São Ciríaco Energias Renováveis S.A. (i)	5.272	1.503	18.484	-	15.401	40.660
Ventos de Santo Alderico Energias Renováveis S.A. (i)	4.639	4.894	15.123	-	16.001	40.657
Ventos de São Crispim I Energias Renováveis S.A. (i)	5.262	1.483	18.484	-	15.402	40.631
Ventos de São Caio Energias Renováveis S.A. (i)	4.336	6.452	13.443	-	16.301	40.532
Ventos de Santo Isidoro Energias Renováveis S.A	660	24.557	4.133	-	-	29.350
Jaíba V Holding S.A.	-	2.000	-	-	-	2.000
MRTV Comercializadora de Energia Ltda.	-	1.000	-	-	-	1.000
	665.794	282.678	192.781	(32.384)	110.558	1.219.427

(i) On June 17, 2021, Piauí II and III carried out a corporate restructuring process, with the purpose of achieving the appropriate structure for the operation of the parks. As a result, there was a change in the equity interest of the wind power companies controlled by the holdings Ventos de Santo Isidoro Energias Renováveis S.A., Ventos de Santo Ângelo Energias Renováveis S.A. and Ventos de Santo Anselmo Energias Renováveis S.A., which now hold a 50% interest in their investees, with VTRM holding the remaining 50%, through the issuance of new shares and contributions made via transfers of fixed assets, in the amount of R$ 160,397 and bank transfers made on June 30 and September 29, 2021, in the amount of R$ 282,678.

(c) Incorporation of new companies

In 2021, the Company established 17 new companies located in the States of Minas Gerais, Ceará, Piauí, and Pernambuco.

These subsidiaries will strengthen the Company's strategy of expansion into wind and solar energy generation activities.

In thousands of Reais, unless otherwise stated

Subsidiaries	Project	Creation date
Hélios I Geração de Energia Ltda.	Helios - solar energy	06/01/2021
Hélios II Geração de Energia Ltda.	Helios - solar energy	06/01/2021
Hélios III Geração de Energia Ltda.	Helios - solar energy	15/01/2021
Hélios IV Geração de Energia Ltda.	Helios - solar energy	15/01/2021
Hélios V Geração de Energia Ltda.	Helios - solar energy	15/01/2021
Sol do Piauí II Geração de Energia Ltda.	Helios - solar energy	06/01/2021
Sol do Piauí III Geração de Energia Ltda.	Helios - solar energy	06/01/2021
Sol do Piauí IV Geração de Energia Ltda.	Helios - solar energy	15/01/2021
Serra da Ibiapaba 1 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 2 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 3 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 4 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 5 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 6 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 7 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 8 Geração de Energia Ltda.	Iris - wind energy	08/09/2021
Serra da Ibiapaba 9 Geração de Energia Ltda.	Iris - wind energy	08/09/2021

(d) Capital increase in the Company

On November 10, 2021, at the Extraordinary General Meeting, there was a resolution on the exercise of subscription warrants No. 01, 02, 03 and 04 issued as approved on May 29, 2018, and approval of the capital increase, in the amount of R$ 22,853, being fully paid up, on the same date, through a bank transfer by CPP Investments.

(e) Acquisition of the Jaíba V solar project

On December 9, 2021, the Company acquired the Jaíba V project for the development of new solar parks in the region of Minas Gerais, with the construction expected to occur until February 2023, with commercial operations expected to start by January of 2024. The complex will consist of 13 solar parks located in the north of Minas Gerais State region and will have an installed power generation capacity of 516 MW (626 MWp), from the start of the park's operation.

The value of the sale agreement on the closing date of the operation totaled R$ 127,538, of which R$ 87,665 were recognized in intangible assets corresponding to the acquisition cost of the operating project, and R$ 39,873 were recognized under investment, corresponding to the equity value of the companies acquired under the project. The total includes BRL 96,568 paid upon acquisition with the balance of BRL 30,970 due on the date of approval of the start of construction, but not later than June 30, 2023.

Dividends:

(f) Approval of the proposal for payment of dividends and interest on equity by CESP

On March 30, 2021, the Annual Shareholders' Meeting approved the proposal by CESP's Management for the payment of JSCP (interest on equity) and dividends for the year ended December 31, 2020, in the amount of R$ 850,164, of which R$ 150,000 correspond to JSCP (net payment of withheld income tax, in the amount of R$ 134,298) and R$ 700,164 correspond to dividends (R$ 447,542 of minimum dividends and R$ 252,622 of additional dividends).

Of this total, the amount of R$ 331,785 was allocated to VTRM, of which R$ 47,496 refers to JSCP, net of withheld income tax, and R$ 284,289 refers to dividends (R$ 181,717 of minimum dividends and R$ 102,572 of additional dividends), to be paid in national currency, in two installments, the first being settled on April 15, 2021, in the amount of R$ 230,210 and the second, settled on September 15, 2021, in the amount of R$ 101,575.

R$ 502,677 were allocated to non-controlling shareholders, of which R$ 86,802 refer to JSCP, net of withheld income tax, and R$ 415,875 refer to dividends (R$ 265,825 of minimum dividends and R$ 150,050 of additional dividends). The payment of the first installment of dividends took place on April 15, 2021, in the amount of R$ 353,780, referring to interest on equity and dividends. The payment of the second installment took place on September 15, 2021, in the amount of R$ 148,533 in dividends.

Also, in the year ended December 31, 2021, the subsidiary CESP paid the amount of R$ 27 to non-controlling shareholders, referring to previous years, thus, the amount of dividends paid in 2021, to non-controlling shareholders, was R$ 502,362.

(g) Reversal of dividends payable

On April 30, 2021, the shareholders decided at the Extraordinary General Meeting not to distribute dividends on profits as of December 31, 2020, which resulted in the reversal of the amount of R$ 148,392 provisioned as dividends payable by the management.

Additionally, the Company reversed the proposed dividends on the 2019 profit which resulted in the reversal of BRL 130,910.

(h) Approval and receipt of dividends by the subsidiary São Vicente

On June 14, 2021, dividends of R$ 4,622 were received for the year ended December 31, 2020, from the subsidiary Ventos de São Vicente Participações Energias Renováveis S.A. ("São Vicente"), the parent company of the Ventos do Piauí I wind complex.

On August 24, 2021, the Company received dividends of R$ 12,040 referring to the additional dividends approved at the Extraordinary General Meeting held on May 5, 2020.

Also on August 24, 2021, additional dividends were resolved by the subsidiary São Vicente, from the profit reserve account at December 31, 2020, of R$ 38,210, which were settled on the same date.

1.1.3 Other events

COVID-19 effects

The World Health Organization (WHO) declared the Coronavirus (COVID-19) to be a pandemic. It has affected the Brazilian and global economies, affecting the public health of all societies. The joint parent company Votorantim Geração de Energia ("VGE") instituted a Corporate Response Plan with preventive and risk mitigation measures following the guidelines of Brazilian and international health authorities. This is intended to minimize, as far as possible, impacts on the health and wellbeing of employees, family members, partners, and communities, and to assure the continuity of operations and the business.

The Company and its subsidiaries have also been evaluating the matter with customers, suppliers and other creditors. To-date no significant impacts have been identified.

The Company and its subsidiaries have reevaluated the following estimates in the financial statements:

(i) Expected credit losses

The subsidiaries reassessed the position of accounts receivable on December 31, 2021, and did not identify further doubtful debtors. This analysis was based on the Company's accounting policies and the assessment of the creditors' financial situation as at December 31, 2021.

(ii) Impairment of tangible and intangible assets

The Company and its subsidiaries evaluated the indications of asset impairments resulting from the pandemic and concluded that there are such indications of change in the recoverable value of its fixed and intangible assets.

(iii) Recoverability of deferred tax assets

CESP has a balance of BRL 3,408,893 of deferred tax assets at December 31, 2021. Despite the uncertain prospects, it did not identify the need for a further provision for loss. The other subsidiaries do not have deferred tax assets.

(iv) Fulfillment of obligations assumed with customers and suppliers

The Company's subsidiaries reviewed their main supply contracts, with customers and suppliers, respectively, and concluded that, despite the pandemic, the contractual obligations are being fulfilled and there is no evidence or formalization of insolvency or lack of liquidity of contracts.

(v) Fulfillment of obligations in debt contracts - covenants

The Company and its subsidiaries evaluated the covenants contained in their debt contracts as of December 31, 2021, and concluded that the pandemic has not impacted the compliance with the obligations agreed in the loan and financing agreements.

In conclusion, the Company and its subsidiaries inform that they have not identified any material impact on their operations as a result of COVID-19.

2 Presentation of financial statements and summary of accounting practices

2.1 Conformity declaration

(a) Individual and consolidated financial statements

The individual and consolidated financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil, in effect on December 31, 2021, which includes the pronouncements issued by the Accounting Pronouncements Committee ("CPC"), approved by the Brazilian Securities and Exchange

Commission ("CVM") and the Federal Accounting Council ("CFC") and in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations " IFRIC", and present all information of significance to the individual and consolidated financial statements, and only said information, which is consistent with the information used by Management in the performance of its duties.

(b) Approval of financial statements

The issuance of these financial statements was approved by Management on March 25, 2022.

2.2 Presentation basis

The preparation of the financial statements considered the going concern basis of accounting, historical cost as the basis of value, and in the case of certain financial assets and liabilities, they were adjusted to reflect the measurement at fair value.

The financial statements require the use of certain critical accounting estimates and also the exercise of judgment by the Company's Management in applying its accounting practices. The areas that require a higher level of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for the financial statements, are disclosed in Note 2.4 below.

2.3 Functional and presentation currency of the financial statements

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

2.4 Critical accounting estimates and judgments

Based on assumptions, the Company and its subsidiaries make estimates regarding the future. Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances. Revisions to estimates are recognized prospectively.

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

Accounting estimates will seldom be the same as the actual results. The estimates and assumptions that present a significant risk, likely of causing a material adjustment in the carrying amounts of assets and liabilities for the coming year, are contemplated in the Notes below:

Explanatory note	Ledger account
6	Accounts receivable from customers
11	Property, plant, and equipment
12	Intangible assets
16	Energy futures contracts
18	UBP - Use of a public asset
19	Social and environmental obligations and asset demobilization
20	Provision for reimbursement
21	Provisions
22	Post-employment benefits

2.5 Consolidation

The Company consolidates all entities over which it holds control, that is, when it is exposed or is entitled to variable returns from its involvement with the investee and has the ability to direct the relevant activities of the investee.

(a) Subsidiaries

The subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Transactions, balances, and results of transactions between the Company's subsidiaries are eliminated. Upon acquisition, the subsidiaries' accounting policies are changed when necessary to ensure consistency with the policies adopted by the Company.

(b) Joint operation

A joint operation is a joint arrangement under which the parties who have joint control over the arrangement have rights to the assets and have obligations for the liabilities related to the arrangement. These parties are referred to as joint operators.

Joint operations are accounted for in the financial statements to represent the Company's contractual rights and obligations. Accordingly, the assets, liabilities, income and expenses related to their interests in joint operations are recorded individually in the financial statements.
The Company's subsidiaries that are part of the Piauí I, II and III wind complexes own and jointly control the companies Consórcio Ventos do Piauí, Consórcio Ventos do Piauí II and Consórcio Ventos do Piauí III ("Consortia").

The purpose of the Consortia is the construction, maintenance, operation and use of certain common assets, especially the collector substation, the switching/elevator substation, the transmission line and the medium voltage network, among others, which shall serve all Consortium Members.

In thousands of Reais, unless otherwise stated

(c) Subsidiaries consolidated

	2021		2020				
	Total capital	Voting capital	Total capital	Voting capital	Type of investment	Headquarters location	Main activity
Ventos do Piauí I Wind Complex ("Piauí I"):							
Ventos de São Vicente Participações Energias Renováveis S.A.	100%	100%	100%	100%	Direct	São Paulo - Brazil	Holding
Ventos de São Adeodato Energias Renováveis S.A. (i)	77,36%	77,36%	77,36%	77,36%	Indirect	Piauí - Brazil	Electricity generation
Ventos de Santo Afonso Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Piauí - Brazil	Electricity generation
Ventos de Santo Agostinho Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Piauí - Brazil	Electricity generation
Ventos de Santa Albertina Energias Renováveis S.A. (i)	84,96%	84,96%	84,96%	84,96%	Indirect	Piauí - Brazil	Electricity generation
Ventos de Santo Alberto Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Piauí - Brazil	Electricity generation
Ventos de São Casimiro Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Piauí - Brazil	Electricity generation
Ventos de São Vinícius Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Piauí - Brazil	Electricity generation
Ventos do Piauí Consortium	100%	100%	100%	100%	Indirect	Piauí - Brazil	Construction, maintenance, operation and use of certain common assets
Ventos do Piauí II Wind Complex ("Piauí II"):							
Ventos de Santo Anselmo Energias Renováveis S.A. (ii)	51%	100%	100%	100%	Direct	Ceará - Brazil	Holding
Ventos de Santo Antero Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Crispim Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Alderico Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Angelo Energias Renováveis SA	100%	100%	100%	100%	Direct	Ceará - Brazil	Holding
Ventos de Santa Alexandrina Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Ciriaco Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Caio Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Isidoro Energias Renováveis S.A. (ii)	51%	100%	100%	100%	Direct	Ceará - Brazil	Holding
Ventos de Santo Apolinário Energias Renováveis S.A.	50%	0%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos do Piauí II Consortium	100%	100%	0%	0%	Indirect	Piauí - Brazil	Construction, maintenance, operation and use of certain common assets
Ventos do Piauí III Wind Complex ("Piauí III"):							
Ventos de São João Paulo II Energias Renováveis S.A.	100%	100%	100%	100%	Direct	Ceará - Brazil	Holding
Ventos de Santo Alfredo Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Ciro Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Bernardo Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Consortium Ventos do Piauí III	100%	100%	0%	0%	Indirect	Piauí - Brazil	Construction, maintenance, operation and use of certain common assets
Ventos do Araripe III Wind Complex ("Araripe III"):							
Ventos de Santo Estevão Holding S.A.	100%	100%	100%	100%	Direct	São Paulo - Brazil	Holding
Ventos de Santo Augusto I Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Augusto II Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Augusto VI Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Augusto VII Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Augusto VIII Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Estevão I Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Estevão II Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Estevão III Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Estevão IV Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Estevão V Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de Santo Onofre IV Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Virgílio I Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Virgílio II Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation
Ventos de São Virgílio III Energias Renováveis S.A.	100%	100%	100%	100%	Indirect	Ceará - Brazil	Electricity generation

(i) In 2020, the subsidiary São Vicente sold its interest in these subsidiaries. However, contractual clauses assure control by Company over the returns on these investments, hence they are fully consolidated.

(ii) As described in item 1.1.1 (e), there was a sale of interest in these investees. However, contractual clauses assure control by Company over the returns on these investments, hence they are fully consolidated.

In thousands of Reais, unless otherwise stated

	2021		2020				
	Total capital	Voting capital	Total capital	Voting capital	Type of investment	Headquarters location	Main activity
Water power generation and commercialization							
CESP - Companhia Energética de São Paulo	40%	94%	40%	94%	Direct	São Paulo - Brazil	Generation and sale of electricity
CESP Comercializadora de Energia S.A.	40%	94%	40%	94%	Indirect	São Paulo - Brazil	Electricity trading
Solar generation							
Jaíba V Holding S.A.	100%	100%	0%	0%	Direct	São Paulo - Brazil	Electricity generation
Jaíba C Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba CE Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba CN Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba CO Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba CS Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba L1 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba L2 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba NE2 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba NE3 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba NO2 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba S Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba SE2 Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Jaíba SO Energias Renováveis S.A.	100%	100%	0%	0%	Indirect	Minas Gerais - Brazil	Electricity generation
Sol do Piauí Energy Generation Ltd.	100%	100%	0%	0%	Direct	Ceará - Brazil	Electricity generation
Others							
MRTV Comercializadora de Energia Ltda.	99%	99%	0%	0%	Direct	São Paulo - Brazil	Electricity trading
Hélios I Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Hélios II Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Hélios III Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Hélios V Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Sol do Piauí II Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Sol do Piauí III Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Sol do Piauí IV Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Hélios IV Geração de Energia Ltda.	100%	100%	0%	0%	Direct	Piauí - Brazil	Electricity generation
Serra da Ibiapaba 1 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 2 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 3 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 4 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 5 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 6 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 7 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 8 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation
Serra da Ibiapaba 9 Geração de Energia Ltda.	100%	100%	0%	0%	Indirect	Ceará - Brazil	Electricity generation

2.6 Spontaneous resubmission of comparative balances

In order to better present the accounting information, the comparative balances of the balance sheet are being spontaneously restated. The Company chose to present the asset and liability balances of its energy futures contracts, where they were being presented net in the balance sheet. These changes did not affect the cash flow statements, income statements, statements of comprehensive income and statement of changes in equity.

In thousands of Reais, unless otherwise stated

The table below shows the changes made:

			Consolidated
			2020
	Introduced	Reclassifications	Re-introduced
Assests			
Current			
Energy futures contracts	-	103.139	103.139
Non-current			
Energy futures contracts	-	25.297	25.297
	-	128.436	128.436

			Consolidated
			2020
	Introduced	Reclassifications	Re-introduced
Liabilities			
Current			
Energy futures contracts	17.336	103.139	120.475
Non-current			
Energy futures contracts	4.108	25.297	29.405
	21.444	128.436	149.880

3 New standards, amendments and interpretations of standards issued by the CPC and IASB

3.1 New standards issued and amendments to accounting standards adopted by the Company and its subsidiaries

The following amendments to standards issued by the IASB were adopted for the first time from January 1, 2021:

(i) Classification of liabilities between current and non-current liabilities: amendments to IAS 1/CPC 26 "Presentation of Financial Statements";

(ii) First-time adoption of IFRS in subsidiaries: amendments to IFRS 1/CPC 37 "First-time adoption of international accounting standards";

(iii) Borrowing costs in the financial liabilities' derecognition test: amendments to IFRS 9/CPC 48 "Financial instruments";

(iv) Lease incentives: amendments to IFRS 16/CPC 06 "Leases"

(v) Cost of fulfilling onerous contracts: amendments to IAS 37/CPC 25 "Provisions, contingent liabilities, and contingent assets;

(vi) Concessions related to COVID-19: amendments to IFRS 17 "Insurance Contracts";

(vii) Reform of IBORs (Interbank Offered Rate): amendments to IFRS 9/CPC 48 "Financial instruments", IAS 39/CPC 38 "Financial instruments – recognition and measurement, IFRS 7/CPC 40 "Financial instruments: disclosure", IFRS 4/CPC 11 "Insurance contracts" and IFRS 16/CPC 06 "Leases".

The Company and its subsidiaries analyzed the amendments to these accounting standards and did not identify any impacts on their operating and accounting policies.

3.2 New standards issued and amendments to accounting standards not yet adopted by the Company and its subsidiaries

The following amendments to standards issued by the IASB will be adopted for the first time in the years starting after January 1, 2022:

(i) Review of technical pronouncements by the Accounting Pronouncements Committee, No. 19/2021 with changes to the Technical Pronouncements: CPC 37 (R1)/IFRS 1 - First-time Adoption of International Accounting Standards, CPC 48/IFRS 9 - Financial Instruments, CPC 27/IAS 16 - Fixed Assets, CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and CPC 15 (R1)/IFRS 3 - Business Combination, as a result of the annual changes related to the 2018-2020 improvement cycle; Fixed Assets – sales before intended use; Onerous Contract - contract fulfillment costs; and References to the Conceptual Framework. The entity shall apply those changes in annual periods beginning on or after January 1, 2022.

The Company and its subsidiaries analyzed the amendments to these accounting standards and did not identify any impacts on their operating and accounting policies for early adoption.

4 Presentation of information by business segment

Information by operating segments is presented in a manner consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and evaluating the performance of the operating segments, is the Corporate Board, which is also responsible for making the Group's strategic decisions.

The Corporate Board considers the business by type of generation, as shown below.

1. Wind power generation (Piauí I, II and III and Araripe III)
2. Hydro power generation and commercialization (CESP and CESP Comercializadora)
3. Other projects (segment created in 2021 due to the acquisition of the companies)
4. Holding.

The following information refers to the VTRM by business segments and considers the elimination of balances and transactions among companies in the same segment, before: (i) eliminations between business segments; and (ii) the elimination of investments held by the holding company.

In thousands of Reais, unless otherwise stated

(a) Balance sheet – By business segment

	Wind power generation	Hydro power generation and commercialization	Other projects	*Holding*	Eliminations	Consolidated
						2021
Assets						
Current						
Cash and cash equivalents	782.132	428.231	2.306	383.149	-	1.595.818
Financial investments	-	77.751	-	-	-	77.751
Liquidity fund - Reserve account	6.153	-	-	-	-	6.153
Accounts receivable from customers	60.189	268.439	3	-	-	328.631
Taxes recoverable	2.955	28.847	14	4.898	-	36.714
Dividends receivable	-	-	-	160.963	(160.963)	-
Related parties:	3.678	-	-	-	-	3.678
Project orders - R&D	-	5.076	-	-	-	5.076
Energy futures contracts	-	270.815	-	-	-	270.815
Other assets	5.624	6.750	398	6.163	-	18.935
	860.731	1.085.909	2.721	555.173	(160.963)	2.343.571
Assets held for sale	-	8.428	-	-	-	8.428
	860.731	1.094.337	2.721	555.173	(160.963)	2.351.999
Non-current						
Liquidity fund – Reserve account	100.048	-	-	-	-	100.048
Related parties:	7.721	-	-	58.590	-	66.311
Bonds and court deposits	-	195.968	-	-	-	195.968
Deferred income tax and social contribution	-	3.408.893	-	-	-	3.408.893
Warehouse	-	6.042	-	-	-	6.042
Energy futures contracts	-	341.292	-	-	-	341.292
Asset subject to indemnification	-	1.739.161	-	-	-	1.739.161
Other assets	365	-	477	-	-	842
	108.134	5.691.356	477	58.590	-	5.858.557
Investments	-	-	40.589	4.405.443	(4.446.032)	-
Property, plant, and equipment	3.154.851	5.722.420	134	3.331	99.546	8.980.282
Intangible assets	37.759	1.913.809	40.076	281.748	93.040	2.366.432
Right of use on lease agreements	-	5.256	-	27	-	5.283
	3.300.744	13.332.841	81.276	4.749.139	(4.253.446)	17.210.554
Total assets	4.161.475	14.427.178	83.997	5.304.312	(4.414.409)	19.562.553

	Wind power generation	Hydro power generation and commercialization	Other projects	*Holding*	Eliminations	Consolidated
						2021
Liabilities and equity						
Current						
Loans and financing	110.941	98.018	-	-	-	208.959
Suppliers	76.065	141.264	103	8.146	-	225.578
Leases	-	1.793	-	31	-	1.824
Derivative financial instruments	-	12.699	-	-	-	12.699
Energy futures contracts	-	282.619	-	-	-	282.619
Estimated obligations and payroll	-	22.380	1	1.512	-	23.893
Taxes payable	12.395	20.528	5	4.781	-	37.709
Sector charges	-	20.170	-	-	-	20.170
Dividends payable and interest on equity	7.035	389.668	-	13.952	(160.963)	249.692
UBP - Use of a public asset	-	42.462	-	-	-	42.462
Social and environmental obligations and asset demobilization	6.052	38.013	-	-	-	44.065
Provision for reimbursement	325.557	-	-	-	-	325.557
Other liabilities	1.377	96.975	180	28.196	-	126.728
	539.422	1.166.589	289	56.618	(160.963)	1.601.955
Non-current						
Loans and financing	2.304.346	1.897.895	-	299.674	-	4.501.915
Suppliers	-	-	-	74.216	-	74.216
Leases	-	3.674	-	-	-	3.674
Energy futures contracts	-	337.697	-	-	-	337.697
Taxes payable	13.396	-	-	-	-	13.396
Related parties:	17.524	-	-	46.658	-	64.182
Deferred income tax and social contribution	717	-	-	330.998	20.309	352.024
UBP - Use of a public asset	-	87.531	-	-	-	87.531
Social and environmental obligations and asset demobilization	82.451	187.825	-	-	-	270.276
Provision for reimbursement	7.970	-	-	-	-	7.970
Provisions	52	1.329.360	-	-	-	1.329.412
Post-employment benefits	-	1.785.499	-	-	-	1.785.499
Other liabilities	-	47.546	-	38.745	-	86.291
	2.426.456	5.677.027	-	790.291	20.309	8.914.083
Total liabilities	2.965.878	6.843.616	289	846.909	(140.654)	10.516.038
Net equity attributed to controlling shareholders	1.195.597	3.033.865	83.708	4.457.403	(4.313.170)	4.457.403
Participation of non-controlling shareholders	-	4.549.697	-	-	39.415	4.589.112
Total net equity	1.195.597	7.583.562	83.708	4.457.403	(4.273.755)	9.046.515
Total liabilities and net equity	4.161.475	14.427.178	83.997	5.304.312	(4.414.409)	19.562.553

In thousands of Reais, unless otherwise stated

					2020
	Wind power generation	Hydro power generation and commercialization	*Holding*	Eliminations	Consolidated
Assets					
Current					
Cash and cash equivalents	287.557	713.384	101.711	-	1.102.652
Liquidity fund – Reserve account	6.740	-	-	-	6.740
Accounts receivable from customers	111.573	272.817	-	-	384.390
Taxes recoverable	1.112	61.190	3.322	-	65.624
Dividends receivable	-	-	246.679	(246.679)	-
Related parties:	3.561	3.482	-	-	7.043
Project orders - R&D	-	52.685	-	-	52.685
Energy futures contracts	-	103.139	-	-	103.139
Other assets	5.753	15.299	660	-	21.712
	416.296	1.221.996	352.372	(246.679)	1.743.985
Non-current					
Long-term receivables					
Liquidity fund – Reserve account	76.295	-	-	-	76.295
Related parties:	11.421	-	-	-	11.421
Bonds and court deposits	-	260.496	-	-	260.496
Energy futures contracts	-	25.297	-	-	25.297
Deferred income tax and social contribution	-	3.954.680	-	-	3.954.680
Warehouse	176	6.023	-	-	6.199
Asset subject to indemnification	-	1.739.161	-	-	1.739.161
Other assets	334	-	-	21	355
	88.226	5.985.657	-	21	6.073.904
Investments	-	-	3.943.471	(3.943.471)	-
Property, plant, and equipment	2.580.259	5.956.429	159.969	128.761	8.825.418
Intangible assets	39.107	1.509.895	122.967	98.799	1.770.768
Right of use on lease agreements	-	6.323	110	-	6.433
	2.707.592	13.458.304	4.226.517	(3.715.890)	16.676.523
Total assets	3.123.888	14.680.300	4.578.889	(3.962.569)	18.420.508

					2020
	Wind power generation	Hydro power generation and commercialization	*Holding*	Eliminations	Consolidated
Liabilities and equity					
Current					
Loans and financing	110.757	18.220	-	-	128.977
Suppliers	7.310	103.080	37.544	-	147.934
Lease	-	1.700	87	-	1.787
Derivative financial instruments	-	95.084	-	-	95.084
Future energy contracts	-	120.475	-	-	120.475
Estimated obligations and payroll	-	23.387	2.342	-	25.729
Taxes payable	5.187	40.721	7.706	-	53.614
Sector charges	-	76.507	-	-	76.507
Dividends payable and interest on equity	17.444	581.919	279.302	(246.657)	632.008
UBP - Use of a public asset	-	41.307	-	-	41.307
Social and environmental obligations and asset demobilization	6.052	28.426	-	-	34.478
Provision for reimbursement	64.582	-	-	-	64.582
Other liabilities	1.427	22.906	48	-	24.381
	212.759	1.153.732	327.029	(246.657)	1.446.863
Non-current					
Loans and financing	1.819.857	1.800.854	-	-	3.620.711
Suppliers	-	-	41.538	-	41.538
Lease	-	4.789	31	-	4.820
Derivative financial instruments	-	9.141	-	-	9.141
Future energy contracts	-	29.405	-	-	29.405
Taxes payable	10.525	-	-	-	10.525
Sector charges	-	1.240	-	-	1.240
Related parties:	16.970	-	-	-	16.970
Deferred income tax and social contribution	655	-	330.317	26.266	357.238
UBP - Use of a public asset	-	114.057	-	-	114.057
Social and environmental obligations and asset demobilization	76.586	152.749	-	-	229.335
Provision for reimbursement	76.221	-	-	-	76.221
Provisions	49	1.748.257	-		1.748.306
Post-employment benefits	-	2.412.379	-	-	2.412.379
Other liabilities	2	47.484	617	-	48.103
	2.000.865	6.320.355	372.503	26.266	8.719.989
Total liabilities	2.213.624	7.474.087	699.532	(220.391)	10.166.852
Net equity attributed to controlling shareholders	910.264	2.882.902	3.879.357	(3.793.166)	3.879.357
Participation of non-controlling shareholders	-	4.323.311	-	50.988	4.374.299
Total net equity	910.264	7.206.213	3.879.357	(3.742.178)	8.253.656
Total liabilities and net equity	3.123.888	14.680.300	4.578.889	(3.962.569)	18.420.508

In thousands of Reais, unless otherwise stated

(b) Income statement – By business segment

						2021
	Wind power generation	Hydro power generation and commercialization	Other projects	*Holding*	Eliminations	Consolidated
Net revenue from the sale of energy and services provided	331.301	2.292.813	-	-	-	2.624.114
Electricity cost	(29.887)	(1.298.848)	-	-	-	(1.328.735)
Operation cost	(213.912)	(468.764)	-	-	-	(682.676)
Renegotiation of hydrological risk	-	781.974	-	-	-	781.974
Gross profit	87.502	1.307.175	-	-	-	1.394.677
Operating income (expenses)						
General and Administrative Expenses	(8.133)	(125.429)	(101)	(34.934)	-	(168.597)
Other net operating revenues (expenses), net	22	137.860	-	30.898	(34.959)	133.821
	(8.111)	12.431	(101)	(4.036)	(34.959)	(34.776)
Operating profit (loss) before equity interests and financial income	79.391	1.319.606	(101)	(4.036)	(34.959)	1.359.901
						-
Income from equity interests						-
Equity	-	-	-	48.882	(48.882)	-
	-	-		48.882	(48.882)	-
Net financial income						-
Financial revenues	31.694	32.528	8	30.849	-	95.079
Financial expenses	(199.104)	(646.695)	(2)	(16.325)	-	(862.126)
	(167.410)	(614.167)	6	14.524	-	(767.047)
Profit (loss) before income tax and social contribution	(88.019)	705.439	(95)	59.370	(83.841)	592.854
						-
Income tax and social contribution						-
Current	(21.860)	(18.515)	-	50	-	(40.325)
Deferred	(63)	(246.097)	-	(681)	5.958	(240.883)
						-
Net profit (loss) for the year	(109.942)	440.827	(95)	58.739	(77.883)	311.646

					2020
	Wind power generation	Hydro power generation and commercialization	*Holding*	Eliminations	Consolidated
Net revenue from the sale of energy and services provided	389.809	1.917.248	-	-	2.307.057
Electricity cost	(27.663)	(751.687)	-	-	(779.350)
Operation cost	(190.471)	(437.955)	-	-	(628.426)
Gross profit	171.675	727.606	-	-	899.281
Operating income (expenses)					
General and Administrative Expenses	(13.655)	(111.552)	(25.847)	-	(151.054)
Other operating income, net	529	196.672	3.476	(34.799)	165.878
	(13.126)	85.120	(22.371)	(34.799)	14.824
Operating profit (loss) before equity interests and financial income	158.549	812.726	(22.371)	(34.799)	914.105
Income from equity interests					
Equity	-	-	653.952	(653.952)	-
	-	-	653.952	(653.952)	-
Net financial income					
Financial revenues	10.699	29.742	3.863	-	44.304
Financial expenses	(175.025)	(585.670)	(6.015)	-	(766.710)
	(164.326)	(555.928)	(2.152)	-	(722.406)
Profit (loss) before income tax and social contribution	(5.777)	256.798	629.429	(688.751)	191.699
Income tax and social contribution					
Current	(14.174)	(24.639)	(8.236)	-	(47.049)
Deferred	(322)	1.496.603	3.616	5.923	1.505.820
Net profit (loss) for the year	(20.273)	1.728.762	624.809	(682.828)	1.650.470

In thousands of Reais, unless otherwise stated

(c) Capital management - financial leverage ratio (consolidated)

		Consolidated
Adjusted EBITDA	**2021**	**2020**
Net profit for the year	311.646	1.650.470
Additions (exclusions):		
Income tax and social contribution	281.208	(1.458.771)
Net financial income	767.047	722.406
Depreciation and amortization	558.995	531.817
EBITDA before other additions and exceptional items	1.918.896	1.445.922
Exceptional items:		
PDV - Voluntary Dismissal Program	-	14.998
Provision for legal risks	(425.693)	(266.644)
Expenses with court deposits	60.256	63.284
Provision (reversal) of impairment of fixed and intangible assets	248.520	(7.589)
Renegotiation of hydrological risk	(781.974)	-
Adjusted EBITDA (A)	1.020.005	1.249.971
Net debt		
Loans and financing	4.710.874	3.749.688
Leases	5.498	6.607
Cash and cash equivalents	(1.595.818)	(1.102.652)
Financial investments	(77.751)	-
Derivative financial instruments	12.699	104.225
Net debt - (B)	3.055.502	2.757.868
Financial leverage ratio - (B/A)	3,00	2,21

5 Cash and cash equivalents, financial investments and liquidity fund – reserve account

Accounting policy

This includes cash, bank deposits and other short-term highly liquid investments with original maturities under three months, which are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents in local currency comprise cash in current bank accounts and public or financial institution securities, indexed to the interbank deposit rate.

Financial investments have an average return rate between 97.95% and 102.00% of the CDI.

In thousands of Reais, unless otherwise stated

	Parent company		Consolidated	
	2021	2020	2021	2020
National currency				
Cash and banks	54	55	24.520	18.408
Bank Deposit Certificates - CDBs	324.943	91.628	1.251.551	877.882
Financial Treasury Bills - LFTs (i)	-	-	49.085	155.189
Financial Bill - private securities	-	-	-	16.813
Bonded operations	-	-	35.020	153
Investment fund shares	58.152	10.028	235.642	34.207
	383.149	101.711	1.595.818	1.102.652

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

The operations are substantially composed of repo operations and government bonds, as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Investment fund shares				
Bonded operations	6.510	-	6.510	-
Public bonds	51.642	10.028	229.132	34.207
	58.152	10.028	235.642	34.207

5.1 Financial investments

Most financial investments have immediate liquidity, however, they are classified as financial investments based on their original maturities, considering the expected use for the funds. Investments in Brazilian Reais comprise government bonds indexed to the interbank deposit rate.

Financial investments have an average return rate at 101.41% of the CDI.

	Consolidated	
	2021	2020
National currency		
Financial Treasury Bills - LFTs	77.751	-
	77.751	-

5.2 Liquidity fund – Reserve account

The loans and financing of the subsidiaries of Piauí I and Araripe III require the an escrow liquidity fund in a reserve account as collateral. As of December 31, 2021, the total balance of restricted cash in reserve accounts amounts to R$ 106,201, of which R$ 6,153 is recorded in current assets and R$ 100,048 in non-current assets (R$ 83,035 as of December 31, 2020, with R$ 6,740 recorded under current assets and R$ 76,295 under non-current assets).

5.3 Credit quality of financial assets

The following table reflects the credit quality of issuers and counterparties in cash and cash equivalents, liquidity fund – reserve account:

In thousands of Reais, unless otherwise stated

	Parent company		Consolidated	
	Local rating		Local rating	
	2021	2020	2021	2020
Cash and cash equivalents, financial investments and liquidity fund – reserve account				
AAA	383.145	101.706	1.663.551	877.536
AA+	-	-	29.700	79.999
AA	4	5	86.510	57.166
AA-	-	-	-	170.964
No rating	-	-	9	22
	383.149	101.711	1.779.770	1.185.687

The ratings resulting from internal classification were extracted from rating agencies (Standard & Poor's, Moody's, and Fitch Ratings). For presentation purposes, the rating standard used by these agencies is considered.

6 Accounts receivable from customers

Accounting policy

These correspond to amounts arising from the electric energy trading transaction in the normal course of the subsidiaries' activities. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method minus expected losses.

On a monthly basis, the Company's Planning and Financial Management area analyzes the maturity position of the customer portfolio and selects customers with overdue balances in order to assess the specific situation of each one, as well as to judge the risk of loss involved. The result of this judgment establishes the financial amount to be accounted for as expected losses.

Energy Auctions: represented by accounts receivable from distributors within the scope of contracts signed pursuant to participation in auctions. Prices are derived from the auction, adjusted by inflation indices or from contracts for energy sales operations, in a free contracting environment.

Bilateral contracts: represented by accounts receivable from industrial consumers and trading agents in a free contracting environment.

CCEE Accounting: the balance receivable arises from the short-term market accounting, that is, the differences between funds and energy requirements, valued at the Settlement Price of Differences ("PLD"), which may represent an amount receivable or payable.

The amounts receivable traded by the Company's subsidiaries usually have a collection period between 45 and 60 days.

In thousands of Reais, unless otherwise stated

Composition

	Consolidated 2021		
	Yet to become due	Overdue up to 90 days	Total
ACR			
New Energy Auction (LEN)	109.926	-	109.926
Reserve Energy Auction (LER)	8.081	-	8.081
ACL			
Bilateral contracts (i)	145.701	-	145.701
Chamber of Trading of Electric Energy (CCEE)	10.961	1.737	12.698
Trading	41.054	-	41.054
Related parties (Note 23)	11.171	-	11.171
	326.894	1.737	328.631

	Consolidated 2020				
	Yet to become due	Overdue up to 90 days	Overdue for more than 180 days	(-) Expected loss (ii)	Total
ACR					
New Energy Auction (LEN)	98.984	1.396	-	-	100.380
Reserve Energy Auction (LER)	8.072	-	-	-	8.072
Free Energy (RTE)	-	-	13.712	(13.712)	-
ACL					
Bilateral contracts (i)	144.345	-	4.172	(4.172)	144.345
Chamber of Trading of Electric Energy (CCEE)	45.166	11.894	46.668	-	103.728
Trading	17.824	-	-	-	17.824
Related parties (Note 23)	9.124	-	-	-	9.124
Quota supply	917	-	2.036	(2.036)	917
	324.432	13.290	66.588	(19.920)	384.390

(i) The subsidiary CESP has a certain degree of concentration in its customer portfolio. As of December 31, 2021, the ten main customers represent 65.41% of the total portfolio (70.67% as of December 31, 2020).

(ii) The subsidiary CESP no longer expects to receive the amounts that were provisioned in December 2020, which is why, in 2021, it wrote off the active balance of accounts receivable and the total expected loss on the securities.

7 Project orders - R&D

Pursuant to Law No. 9,991, of July 24, 2000, concessionaires of public services for the distribution, transmission or generation of electric energy, permission holders of public electric energy distribution services and those authorized to independently produce electric energy, excluding whether those companies that generate energy exclusively from wind, solar, biomass, qualified cogeneration and small hydroelectric plants, must invest a minimum percentage of their net operating revenue (NOR) each year in Technological Research and Development projects in the Electric Energy Sector – R&D, according to regulations established by ANEEL. According to Law 14,120/2021, resulting from the conversion of Provisional Measure No 998/2020, the investments in research and development should be distributed as follows:

- Forty percent (40%) of the funds must be paid to the National Fund for Scientific and Technological Development – FNDCT;

In thousands of Reais, unless otherwise stated

- Twenty eight percent (28%) of the funds must be allocated to the execution of R&D projects regulated by ANEEL;
- Twenty percent (20%) of the funds must be paid to the Ministry of Mines and Energy – MME;
- Twelve percent (12%) of the funds must be paid to the Energy Development Account - CDE.

The R&D project in the electric energy sector must be original and innovative, different from pure academic research, which is characterized by freedom of research; it must have goals and expected outcomes. To respect the obligation to invest in R&D, companies must submit their projects to ANEEL, containing information on the expected outcomes, their applicability, the expected costs for execution, the expectation of financial return, the relevance of the study to topics of interest to the electricity sector and the degree of innovation or technological advancement intended. After the end of the project, ANEEL will carry out a careful assessment of the results achieved and the expenses incurred, for the purpose of full or partial approval of the project and recognition of the investments made. Expenses not recognized in a given project that is partially approved or rejected must be reversed to the R&D Account and remunerated at the rate of the Special System for Settlement and Custody – SELIC.

Subsidiary CESP is subject to Law 9,991, of July 24, 2000 and, based on its calculations for NOR, has the amounts below recorded in assets that refer to project orders, which are linked to the investment of such funds; however, these orders have not yet been fulfilled. The amounts are presented at amortized cost.

		Consolidated
	2021	2020
Project Orders - Research and Development	5.076	52.685
	5.076	52.685

(i) Expenses applied to Research and Development ("R&D") are recorded in assets and, upon completion of the project, offset against liabilities (Note 17 – Sector charges) recorded for this purpose.

8 Bonds and court deposits

Accounting policy

These refer to guarantees provided in connection with legal proceedings, presented at their historical values plus indexation accruals, and are related to provisions for legal risks (Note 21).

								Consolidated
							2021	2020
	Civil	Labor	Tax	Environmental	Other deposits	Collateral (i)	Total	Total
Opening balance for the year	163.476	37.340	11.642	43.040	3.267	1.731	260.496	343.979
Additions	16.262	480	1.629	-	30	159	18.560	6.430
Updates	7.121	1.516	69	447	12	56	9.221	7.623
Converted / Raised	(6.984)	(10.015)	(14)	-	(38)	(73)	(17.124)	(10.600)
(-) Write-offs	(64.761)	(10.027)	(53)	(344)	-	-	(75.185)	(86.936)
Reclassification between spheres	46.159	239	-	(43.136)	(3.262)	-	-	-
End of year balance	161.273	19.533	13.273	7	9	1.873	195.968	260.496

In thousands of Reais, unless otherwise stated

The ongoing review of court deposits and the procedural progress of the cases, resulted in a write-off for civil and labor deposits of R$ 75,185 in 2021 (R$ 86,936 in 2020), recognized under the Other Operating Expenses (Note 26) and Financial income (Note 27) headers.

(i) Secured credit referring to the financial guarantee with the CCEE.

9 Asset subject to indemnification

Accounting policy

Given the existing divergence between the Granting Authority and the Management of Subsidiary CESP, in relation to the amount of indemnification owed for the reversal of assets from the Três Irmãos, Ilha Solteira and Jupiá HPPs, the Subsidiary filed a lawsuit challenging the concept, aiming to receive an indemnity that it considers to be correct. In addition, upon the termination of the Jaguari HPP concession, the Subsidiary is evaluating the indemnification receivable. Thus, considering the existence of a contingent asset, in compliance with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, in 2013 and 2015 the Subsidiary made an adjustment to the asset, limiting the adjustment of the recorded amount of the respective HPPs to the undisputed amounts, without affecting its rights to continue pursuing the matter in court. In December 2020, upon concluding the temporary operation of Jaguari HPP, CESP reclassified the respective residual value of property, plant and equipment under the item Assets subject to indemnification.

Assets subject to indemnification will be updated financially according to terms and index to be defined.

CPC 25 defines a contingent asset as arising from a past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely under its control.

(a) Composition and transactions

						Consolidated
					2021	2020
	Três Irmãos	Ilha Solteira	Jupiá	Jaguari	Total	Total
Composition of the asset subject to indemni						
Asset subject to indemnification	3.529.080	2.165.858	642.318	27.589	6.364.845	6.364.845
Adjustment for impairment	-	(1.657.484)	(337.826)	(7.818)	(2.003.128)	(2.003.128)
Contingent asset adjustment	(1.811.718)	(506.346)	(304.492)	-	(2.622.556)	(2.622.556)
Asset subject to indemnification (net)	1.717.362	2.028	-	19.771	1.739.161	1.739.161

					Consolidated
				2021	2020
	Três Irmãos	Ilha Solteira	Jupiá	Total	Total
Composition of contingent asset adjustment					
Regulatory asset	(547.520)	(508.374)	(304.492)	(1.360.386)	(1.360.386)
Deemed cost	(1.264.198)	-	-	(1.264.198)	(1.264.198)
MME Ordinance No. 458/15	-	2.028	-	2.028	2.028
Contingent asset adjustment	(1.811.718)	(506.346)	(304.492)	(2.622.556)	(2.622.556)

Through Provisional Measure ("MP") No. 579/12, later converted into Law No. 12,783, of January 11, 2013, the Federal Government, as the granting authority, was allowed to extend electricity generation concessions. In this regulatory context, specifically in relation to the subsidiary CESP's activities, the Federal Government offered to anticipate the renewal of the concessions of the Ilha Solteira and Jupiá HPPs, due on July 7, 2015, to January 2013. The same treatment was extended to the concession of the Três Irmãos HPP, the first concession period of which had already expired in November 2011.

Due to the conditions established by the granting authority, the subsidiary CESP decided, pursuant to its bylaws, not to renew the aforementioned concessions. Thus, the subsidiary CESP continued to operate the Ilha Solteira and Jupiá plants until the end of the concession, on July 7, 2015. In relation to the Três Irmãos HPP, the continuity of its operation took place in accordance with the regulations of the Granting Authority, as detailed below.

As a result of the intention of the State of São Paulo to plead the operation of the Jaguari HPP with the Federal Government, the subsidiary CESP formalized its non-interest in the renewal of the concession of the Jaguari HPP with the Federal Government (MME/ANEEL), and the subsidiary CESP maintained its responsibilities as a concessionaire until the end of the term of the Concession Agreement No. 003/2004, on May 20, 2020. From then on, the subsidiary CESP started to temporarily operate the Jaguari HPP under the physical guarantee quota system, maintaining this condition between May 21, 2020 and December 31, 2020. Due to the publication of MME Ordinance nº 449, of November 13, 2020, Furnas Centrais Elétricas S/A became the new company responsible for providing the electric energy generation service at the Jaguari HPP as of January 1, 2021.

(a) Três Irmãos HPP

After several infra-legal acts providing for the operation of the Três Irmãos plant, carried out until that point by CESP, the Ministry of Mines and Energy ("MME") determined that ANEEL should promote, on March 28, 2014, a public tender for the concession of the Três Irmãos HPP. The determination was made official through MME Ordinance No. 214/13.

Due to the termination of the concession for the operation of the Três Irmãos HPP, the amount of compensation to be paid to the subsidiary CESP, "referenced to June 2012 prices, for the Três Irmãos Hydroelectric Power Plant, considering the accumulated depreciation and amortization from the date the facilities started operating (November 1993), until March 31, 2013", was defined through Interministerial Ordinance no. 129/14, jointly granted by the MME and the Ministry of Finance ("MF"). The indemnity amount was established at R$ 1,717,362 (base date June 2012), which would be paid in seven years.

Understanding that the proposed amount did not reflect the reversible assets not yet depreciated and/or amortized, on April 7, 2014 the subsidiary CESP manifested opposition to Interministerial Ordinance No. 129/14, filing, on July 9, 2014, a lawsuit to discuss the indemnification owed as a result of the non-renewal of the concession. The payment of the price defined by the Federal Government was suspended, although, in the opinion of the subsidiary CESP, that amount was uncontroversial, since it was conditioned to the declaration, by the subsidiary CESP, that the amount would give full settlement of any amount owed as a reversible assets.

Thus, as mentioned above, given the existence of a contingent asset, in compliance with CPC 25, the subsidiary CESP established, in January 2013, an adjustment to reduce the recoverable amount, in the amount of R$ 1,811,718 (disputed amount), which would reflect the indemnification amount proposed by the granting authority (undisputed amount).

Currently, the matter is being discussed in court, and the respective case is in the initial evidentiary stage.

(b) Ilha Solteira and Jupiá HPPs

As previously mentioned, the subsidiary CESP operated the Ilha Solteira and Jupiá HPPs until the end of the concession, on July 7, 2015. In this context, on October 1, 2015, MME Ordinance No. 458 was published, which defined the amount R$ R$ 2,028 as the indemnification related to the reversal of assets of the Ilha Solteira Plant, "considering the accumulated depreciation and amortization from the date of entry into operation of the facilities and until June 30, 2015". For the Jupiá HPP, the Union understood that there would be no amount due as compensation.

In this context, disagreeing with the indemnification amounts established by the Federal Government, the subsidiary CESP filed a lawsuit to discuss the matter, claiming the receipt, by way of reversal of the assets and facilities of the Ilha Solteira and Jupiá HPPs, of an amount calculated based on the updated historical cost of assets. After a lower court decision that partially upheld the claim, both parties lodged appeals. Only the appeal of the subsidiary CESP was partially granted in the 2nd level court, reason why both parties presented appeals to the 3rd level court, which are currently awaiting judgment.

Given the existence of a contingent asset, in compliance with CPC 25, the subsidiary CESP constituted, in previous years, adjustments for the devaluation of these assets, in the amount of R$ 810,838 (Ilha Solteira – R$ 506,346 and Jupiá – R$ 304,492, respectively).

(c) Temporary operation of the Jaguari HPP

On May 19, 2020, the MME published Ordinance No. 218/2020, which defined the subsidiary CESP as the temporary operator of the Jaguari Hydroelectric Power Plant ("Jaguari HPP"), under the physical guarantee quota system, as of May 21 2020, until the assumption of a new concessionaire winning a bid to be carried out by the Union. On November 13, 2020, the MME published Ordinance No. 409/2020, which designated Furnas Centrais Elétricas S.A., as responsible for the Provision of the Electric Power Generation Service, through the Jaguari HPP, as of January 1, 2021. Thus, the subsidiary CESP reclassified the residual value of the fixed assets of the Jaguari HPP under the heading Assets subject to indemnification in the total amount of R$ 19,771, as of December 31, 2020, and awaits the definition of the indemnity amounts to be determined by the Federal Government. So far, the Federal Government has not expressed itself in relation to the indemnification amount for the Jaguari HPP.

10 Investments

Accounting policy

The financial statements reflect the assets, liabilities and transactions of the Parent Company and its direct and indirect subsidiaries. Subsidiaries are consolidated when the Company is exposed to or has rights to variable returns from its involvement with the investee and has the ability to direct the investee's significant activities. Intercompany balances and transactions, which include unrealized profits, are eliminated.

Investments in subsidiaries are accounted for in the Parent Company using the equity method (MEP) from the date on which they become a subsidiary.

In thousands of Reais, unless otherwise stated

Investments held by other investors in VTRM's subsidiaries are classified as non-controlling shareholders in the Net Equity.

Investment impairment (goodwill)

Goodwill from investments is tested annually for impairment and allowances cannot be reversed. The investment amount is allocated to the CGUs for impairment testing purposes. In the year ended December 31, 2021, the review of the measurement of the recoverable value of the assets was completed, based on the assumptions detailed below, and no indications of impairment were identified.

Assumptions used in the impairment test – Goodwill Ventos de Santo Estevão Holding

The goodwill recorded refers to the ANEEL Authorization and Power Purchase Agreement (Note 11), the calculation of the fair value of the subsidiary Araripe III was based on the discounted cash flow method ("DCF"), on the base date of September 30, 2021. The discount rate was considered in nominal terms, with inflationary effects, calculated based on the WACC methodology, 5.91% p.a.

Araripe III

Item	Assumptions
General assumption	Forecast 2021-2049 provided by the Company was considered; Business: forecasts were made for each SPE until the end of the authorization period issued by ANEEL, without renewal at the end of the period.
Gross revenues	For each SPE: Gross revenue = volume of energy x average price; Volumes: the certified annual production with a probability of occurrence greater than or equal to 50% was considered
Taxes and deductions	They were forecast based on the rates of the presumed profit regime.
Depreciation	Existing and new assets: an average rate of 4% pa was considered
Opex	They were considered 100% fixed with revenue, varying only with the forecast inflation.
Capex	Fixed and intangible capex projection: only the management budget was considered;

Assumptions used in the impairment test - Goodwill CESP

The goodwill recorded refers to the fixed assets of CESP in the classes Land and land, Buildings, Civil works and improvements and reservoirs, dams and water mains. The calculation of the fair value of subsidiary CESP was based on the discounted cash flow ("DCF") method, on the base date of September 30, 2021. The discount rate was considered in nominal terms, with inflationary effects, calculated based on the WACC methodology, 5.91% pa

CESP

Item	Assumptions
General assumption	Projections prepared based on the business plan provided by CESP's management consider the most likely scenario in the management's perspective; Businesses: existing businesses (organic growth, no acquisitions) were considered, only related to the concession agreement currently in force and signed by CESP (34.3 years), without extension or perpetuity.
Gross revenues	Gross revenue = energy volume x energy price. Volumes: only the physical guarantee was considered, net of the GSF effect and losses (3.02%)
Taxes and deductions	IRCS: the taxable income regime was considered, based on a rate of 34% and tax losses; Forecast based on tax rates on gross revenues (historical average): – PIS / COFINS: 9.25% – R&D: 1.0% – Financial Compensation (CFURH): 7.0% – Global Reversion Reserve (RGR): 2.5% – Inspection Fee (TFSEE): 0.4%
Depreciation	Existing and new assets: average accounting rate (historical average) was considered, linear depreciation and amortization were considered.
Opex	They were segregated into fixed and variable expenses on the base date according to the analysis of the history and nature of each account; Energy purchase: projected according to existing contracts and the exposure of additional energy required, according to assumptions provided by CESP's management.
Capex	The total forecast amount was allocated between property, plant and equipment and intangible assets based on the historical average of the balances of property, plant and equipment and intangible assets.

In thousands of Reais, unless otherwise stated

(a) Composition

	Information as of December 31, 2021				Income equity		Parent company Balance	
	Net equity	Net profit (loss) for the year	Percentage of total interest (%)	Percentage of voting interest (%)	2021	2020	2021	2020
Investments valued using the equity method								
Subsidiaries								
Ventos de Santo Estevão Holding S.A.	444.388	(128.726)	100,00	100,00	(128.726)	(37.659)	444.388	540.364
Ventos de São Vicente Participações Energias Renováveis S.A.	303.310	26.323	100,00	100,00	26.323	19.463	303.310	321.448
Ventos de São João Paulo II Energias Renováveis S.A.	87.050	(2.376)	100,00	100,00	(2.376)	(2.474)	87.050	46.699
Ventos de Santo Anselmo Energias Renováveis S.A. (i)	100.017	(812)	51,00	100,00	(812)	(25)	100.017	551
Ventos de Santo Ângelo Energias Renováveis S.A.	93.664	(1.355)	100,00	100,00	(1.355)	(8)	93.664	456
Ventos de Santo Isidoro Energias Renováveis S.A. (i)	28.626	(321)	51,00	100,00	(321)	(9)	28.626	406
Sol do Piauí Energy Generation Ltd.	253	(86)	100,00	100,00	(86)	(11)	253	340
MRTV Comercializadora de Energia Ltda.	994	(5)	100,00	100,00	(5)	-	994	-
Ventos de Santa Alexandrina Energias Renováveis S.A. (ii)	39.701	(931)	50,00	50,00	(417)	-	19.851	-
Ventos de São Crispim I Energias Renováveis S.A. (ii)	39.504	(834)	50,00	50,00	(369)	-	19.752	-
Ventos de Santo Antero Energias Renováveis S.A. (ii)	39.561	(938)	50,00	50,00	(433)	-	19.781	-
Ventos de Santo Apolinário Energias Renováveis S.A. (ii)	39.702	(776)	50,00	50,00	(341)	-	19.851	-
Ventos de São Ciríaco Energias Renováveis S.A. (ii)	39.556	(798)	50,00	50,00	(362)	-	19.778	-
Ventos de Santo Alderico Energias Renováveis S.A. (ii)	39.626	(767)	50,00	50,00	(353)	-	19.814	-
Ventos de São Caio Energias Renováveis S.A. (ii)	39.432	(855)	50,00	50,00	(400)	-	19.716	-
SF Ninety Two Participações Societárias S.A.	-	-	-	-	-	(393)	-	-
Jaíba V Holding S.A.	41.870	-	100,00	100,00	-	-	41.870	-
Hélios V Geração de Energia Ltda.	1	-	99,90	99,90	-	-	1	-
CESP - Companhia Energética de São Paulo	7.583.562	440.827	40,01	93,50	176.358	692.439	3.033.865	2.882.902
Goodwill								
Ventos de Santo Estevão Holding S.A.					(5.760)	(5.758)	93.040	98.800
CESP - Companhia Energética de São Paulo					(11.683)	(11.613)	39.822	51.505
					48.882	653.952	4.405.443	3.943.471

(i) As described in item 1.1.1 (f), there was a sale of interest in these investees. However contractual clauses assure control by the Company over the returns on these investments, hence they are fully consolidated.

(ii) Companies acquired in June 2021 pursuant to the corporate restructuring of the Piauí II and III complexes, described in NE 1.1.2 (b), which is why they do not have a comparative balance of equivalence and balance of investments, as well as the equity result 2021 reflects the period of acquisition of the investees.

In thousands of Reais, unless otherwise stated

(b) Transaction

	Note	Parent company 2021	Parent company 2020
Balance at the start of the year		3.943.471	3.866.214
Equity		48.882	653.952
Equity valuation adjustment for remeasurement of CESP's retirement benefits		207.820	(394.188)
Adjustment of equity valuation of derivative financial instruments of CESP and CESP Comercializadora		24.914	(35.162)
Loss in investee interest (i)		(1.630)	-
Merger of SF Ninety Two Participações Societárias S.A. - Investment in CESP		-	1.429.188
Merger of SF Ninety Two Participações Societárias S.A. - CESP goodwill		-	30.582
Merger of SF Ninety Two Participações Societárias S.A.		-	(1.401.107)
Acquisition of investment in Jaíba V Holding S.A.	1.1.2 (e)	39.873	-
Acquisition of the VDP II and VDP III wind complexes		-	1.799
Capital increase in subsidiaries - via bank transfer	1.1.2 (b)	282.678	48.452
Capital increase in subsidiaries - via asset transfer	1.1.2 (b)	192.781	-
Partial spin-off in subsidiary	1.1.2 (a)	(32.384)	-
Resolution of additional dividends CESP	1.1.2 (f)	(102.572)	-
Resolution of additional dividends Ventos de São Vicente	1.1.2 (g)	(38.210)	(14.780)
Resolution of mandatory minimum dividends CESP		(153.929)	(181.716)
Resolution of mandatory minimum dividends Ventos de São Vicente		(6.251)	(4.622)
Interest on equity highlighted by CESP		-	(55.878)
Others		-	737
Balance at the end of the year		4.405.443	3.943.471

(i) Loss in interest variation arising from changes in treasury shares in subsidiary CESP.

11 Property, plant, and equipment

Accounting policy

Stated at the historical cost of acquisition or construction, less accumulated depreciation. Historical cost also includes financing costs related to the acquisition or construction of qualifying assets.

Subsidiary CESP adopted fair value to determine the deemed cost of property, plant and equipment upon first time adoption of IFRS (January 1, 2009). Under CPC 37/IFRS 1 deemed cost is the amount used as a substitute for cost (or depreciated or amortized cost) on a given date. Thus, property, plant and equipment, with balances lower than book value and/or higher than their fair value, were adjusted to deemed cost through equity. The contra entry of this goodwill was recorded in the account "Equity Valuation Adjustments", in CESP's net equity.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that they will generate future economic benefits associated with the item and when the cost of the item can be reliably measured. The book value of replaced items or parts is written off.

Repairs and maintenance are recognized in income over the period in which they are incurred. The cost of major renovations is added to the asset's carrying amount when the future economic benefits exceed the initially estimated performance standard for the asset in question. Renovations are depreciated over the remaining economic useful life of the related asset.

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

Gains and losses on disposals are determined by comparing the sale price with the book value and are recognized in "Other operating income (expenses), net" in the income statement.

In thousands of Reais, unless otherwise stated

(a) Composition and transactions

	Parent company											Consolidated	
	2021	2020										2021	2020
	Construction in progress	Construction in progress	Land and terrain	Buildings, constructions and improvements	Machines, equipment and installations	Reservoirs, dams and pipelines	Wind turbines	Asset demobilization	Vehicles	Furniture and utensils	Construction in progress	Total	Total
Balance at the start of the year													
Cost	159.969	-	273.472	2.068.885	2.525.716	8.069.394	2.738.398	206.010	6.984	5.179	179.970	16.074.008	15.920.554
Accumulated depreciation	-	-	(15.921)	(1.440.742)	(1.579.669)	(3.862.435)	(434.304)	(36.333)	(4.885)	(2.966)	-	(7.377.255)	(6.907.458)
Adjustment to fair value of property, plant and equipment in the purchase price allocation - CESP	-	-	858.924	-	312.619	(982.722)	-	-	-	-	-	188.821	188.821
Accumulated fair value adjustment amortization	-	-	(55.414)	-	(63.380)	58.638	-	-	-	-	-	(60.156)	(31.066)
Net balance at the beginning of the year	159.969	-	1.061.061	628.143	1.195.286	3.282.875	2.304.094	169.677	2.099	2.213	179.970	8.825.418	9.170.851
Additions (i)	3.759	159.969	-	-	675,00	-	-	49.858			723.336	773.869	176.001
Write-off	-	-	(4)	(2.651)	(5.510)	-	-	-	-	-	(1.655)	(9.820)	(10.365)
Depreciation	-	-	(5.760)	(51.336)	(44.790)	(223.708)	(118.685)	(16.338)	(442)	(139)	-	(461.198)	(469.797)
Amortization of fair value adjustment	-	-	(28.316)	-	(25.757)	24.874		-	-	-	-	(29.199)	(29.090)
Reversal (provision) of impairment (Note 11(c))	-	-	-	-	-	50.932	-	-	-	-	-	50.932	7.589
Transfers (ii)	(160.397)	-	-	265	15.302	-	-	-	-	-	(176.800)	(161.233)	(19.771)
Reclassification to assets held for sale	-	-	(7.679)	(808)	-	-	-	-	-	-	-	(8.487)	-
	3.331	159.969	1.019.302	573.613	1.135.206	3.134.973	2.185.409	203.197	1.657	2.074	724.851	8.980.282	8.825.418
Cost	3.331	159.969	265.789	2.065.691	2.536.183	8.120.326	2.738.398	255.868	6.984	5.179	724.851	16.719.269	16.074.008
Accumulated depreciation	-	-	(21.681)	(1.492.078)	(1.624.459)	(4.086.143)	(552.989)	(52.671)	(5.327)	(3.105)	-	(7.838.453)	(7.377.255)
Adjustment to fair value of property, plant and equipment in the purchase price allocation - CESP	-	-	858.924	-	312.619	(982.722)	-	-	-	-	-	188.821	188.821
Accumulated fair value adjustment amortization	-	-	(83.730)	-	(89.137)	83.512	-	-	-	-	-	(89.355)	(60.156)
Net balance at the end of the year	3.331	159.969	1.019.302	573.613	1.135.206	3.134.973	2.185.409	203.197	1.657	2.074	724.851	8.980.282	8.825.418
			-	-	-								
Average annual depreciation rates - %			3	3	5	2	5	10	20	20			

(i) The costs of loans and financing capitalized in property, plant and equipment during the year represented the amount of R$ 28,413, with no capitalization of interest in the comparative period.

(ii) VTRM transferred the amount of R$ 160,397 of its fixed assets in progress, in the form of a capital contribution, to the subsidiaries of Piauí II and III, according to note 1.1.2 (b), and the amount of R$ 836 are transfers made from the "Works in progress" class of property, plant and equipment to the "Software" class of intangible assets, totaling the amount of R$ 161,233 of transfers in the year ended December 31, 2021.

In thousands of Reais, unless otherwise stated

(b) Construction in progress

	Consolidated	
	2021	2020
Projects		
Construction of VDP II and III parks	680.195	161.268
Modernization	39.869	14.159
Spare transformer	4.150	1.031
Hybrid Project	637	335
SAP project	-	3.177
	724.851	179.970

(c) Impairment of Hydraulic and Wind Power Plants

The carrying amount of an asset is immediately reduced to its recoverable amount when the carrying amount is greater than the estimated recoverable amount, in accordance with the criteria adopted by the Company and its subsidiaries to determine the recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In the year ended December 31, 2021, VTRM's subsidiaries carried out the appropriate impairment tests for each CGU and did not identify any evidence of impairment. The subsidiary CESP identified signs of impairment in its assets and used the following assumptions in the quantitative tests:

Assumptions used in the impairment test

The recoverable amount of CESP's property, plant and equipment was determined using the concept of value in use, which represents an economic evaluation using the discounted cash flow method, where future income and expenses arising from the use of property, plant and equipment during their useful lives were estimated. and until the end of the concessions. This cash flow was realized at the level of each plant (UGC), is identified by the subsidiary's Management as the smallest identifiable group of assets that generate cash inflows and outflows.

The impairment calculation methodology considers:

(i) Future cash flow from operations, discounted to present value, for each plant (UGC), considered as the lowest level of cash generation. This flow covers the remaining period of each of the concessions held by CESP, including the period of extension of the plants.

(ii) Future cash flow of the indemnity amount at the end of the concessions, discounted to present value. The subsidiary's management adopted as a premise, for accounting purposes only, that the minimum indemnity amount to be received from the Federal Government, upon the reversal of the assets, will be the residual value of the assets calculated at deemed cost, and depreciated up to the date of expiration of the concession for the Paraibuna plant. In the case of the Porto Primavera plant, the concession contract does not provide for indemnification at the end of the concession in 2056. Consequently, no cash inflows as compensation were considered in the calculation.

In thousands of Reais, unless otherwise stated

The discount rate, in real terms, used to calculate the cash flow was 7.46% (6.99% pa in the year ended December 31, 2020), considered by the subsidiary's management to be compatible with the market. The main assumptions used in the impairment test are the GSF (Generation Scaling Factor) and the price for energy.

Impairment test results

After determining the recoverable value of each CGU, the subsidiary CESP compared it with the book value of the respective plants. For HPP Porto Primavera there was an impairment provision in the amount of R$ 299,452 referring to the renegotiation of the hydrological risk recognized in intangible assets (Note 12(a)) and reversal of the provision for impairment in the amount of R$ 50,932 in property, plant and equipment (Note 11(a)), totaling R$ 248,520, recognized in the income for the year under Other operating income (expenses), net (Note 26).

			Consolidated
			2021
Plant	Fixed and intangible book value	Fair Value	*Impairment Provision*
HPP Porto Primavera	7.806.578	7.558.058	(248.520)
HPP Paraibuna	41.493	41.493	-
	7.848.071	7.599.551	(248.520)

			Consolidated
			2020
Plant	Fixed and intangible book value	Fair Value	*Impairment reversal*
HPP Porto Primavera	7.396.316	7.403.905	7.589
HPP Paraibuna	29.674	29.674	-
	7.425.990	7.433.579	7.589

Below are the impacts reflecting the projected scenarios due to the sensitivity of the main long-term assumptions used in the impairment test:

Sensitivity analysis			Consolidated
GSF	**-2 p.p.**	**Current**	**+2 p.p.**
Impairment	(351.251)	(248.520)	(145.789)
Energy price	**-R$ 5.00 / MWh**	**Current**	**+R$ 5.00 / MWh**
Impairment	(393.075)	(248.520)	(103.965)

12 Intangible assets

Accounting policy

Rights over natural resources

The acquisition of acquired rights for development of wind resources are capitalized and amortized using the straight-line method over their useful lives.

After the start of operation of the wind farm, these expenses are amortized and treated as production costs.

Software

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

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

Renegotiation of hydrological risk

Hydrological risk corresponds to the relationship between the volume of energy that is generated by the plants that are part of the Energy Reallocation Mechanism ("MRE") and their total physical guarantee. All the physical guarantees of the plants that make up the MRE and all the energy that was generated are added up. If the electric volume generated is below the physical guarantee, the hydroelectric plants have to pay the difference.

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

The events classified as non-hydrological risks are mostly those related to the so-called "structuring" hydroelectric projects (Belo Monte, Jirau and Santo Antônio HPPs), related to the anticipation of physical guarantee and transmission restrictions, in addition to generation outside the order of merit. The extension of the grant is limited to 7 years, subject to the withdrawal of any lawsuits or the right to discuss issues related to the Energy Reallocation Mechanism - MRE by the eligible agents, and there is no provision for payment of a risk premium.

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

As mentioned in note 1.1.1 (b), in August 3, 2021 and September 14, 2021, ANEEL approved the grant extension period for the hydroelectric plants participating in the MRE, according to calculations by the Electric Energy Commercialization Chamber ("CCEE"), which include the Paraibuna and Porto Primavera HPPs, respectively.

Reflecting the nature of the renegotiation of the hydrological risk and the absence of a CPC Pronouncement, Interpretation or Guidance that applies specifically to the subject, the Management of CESP adopted an accounting policy, as provided for in CPC 23 - Accounting Policies, Change of Estimate and Error Rectification, using by analogy the precepts of CPC-04 (R1) - Intangible Assets, considering that it is essentially an intangible asset related to the right of concession arising from compensation for costs incurred in previous years. By analogy, paragraph 44 of the aforementioned CPC - 04 (R1), the asset constituted by the renegotiation of the non-hydrological risk was recognized at fair value, considering the best estimate of the subsidiary, based on the parameters determined by the ANEEL regulations, as well as the compensation amounts calculated by the CCEE.

Goodwill

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of the assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. Goodwill is tested annually for probable impairment and recorded at cost minus accumulated impairment losses, which are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill is allocated to the CGUs for impairment testing purposes. The allocation is made to the CGUs or groups of CGUs that are expected to benefit from the business combination from which the goodwill originated. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future cash receipts and the growth rate used for extrapolation purposes.

Annually, the Company reviews the net book value of goodwill, in order to assess whether there has been any impairment . Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The amounts recorded as goodwill at the time of the business combination were allocated to the Aneel Authorization and Purchase Price Allocation items.

As determined by CPC 01, goodwill must be tested for impairment at least once a year, so the Company adopts the premise of carrying out its tests during the fourth quarter of each year, as this period coincides with the approval of the strategic planning for the coming years, which has the basic premises for carrying out the tests.

Use of Public Assets – UBP

Corresponds to the values established in the concession contracts related to the exploration rights of the hydroelectric energy generation potential (onerous concession), with a contract signed in the form of Use of Public Assets - UBP.

An accounting record is made at the time of signing the concession agreement, regardless of the disbursement schedule established in the agreement. The initial recording of this liability (obligation) and of the intangible asset (concession right) corresponds to the amounts of future obligations brought to present value.

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

Grant right

Decree No. 81,689, of May 19, 1978, granted the subsidiary Cesp the concession (grant right) for the use of hydraulic energy along the Paraná River, between the Jupiá Plant and the confluence of the Paranapanema River, in the states of São Paulo and Mato Grosso do Sul (Porto Primavera HPP).

Decree No. 9,271, of January 25, 2018, regulated the granting of a concession contract in the Electricity Sector associated with the privatization of a public service concession holder for electricity generation and, in its article 3, established that the draft contract of concession must be approved by Aneel and be part of the Auction Notice for the privatization of the legal entity

Amortization of intangible assets is calculated using the straight-line method over the remaining term of the concession.

In thousands of Reais, unless otherwise stated

(a) Composition and transactions

	Parent company													Consolidated
			2021	2020									2021	2020
	Exploitation and natural resource rights	Intangible in progress	Total	Total	Exploitation and natural resource rights	ANEEL Authorization	Power Purchase Agreement	Renegotiation of hydrological risk	*Software*	Granting rights	UBP	Intangible in progress	Total	Total
Balance at the start of the year														
Cost	123.261		123.261	-	168.022	17.633	96.778	26.134	27.149	1.398.703	171.966	5.396	1.911.781	1.795.564
Accumulated amortization	(294)	-	(294)	-	(6.476)	(1.616)	(14.220)	(10.251)	(19.752)	(78.279)	(10.419)	-	(141.013)	(75.120)
Net balance at the beginning of the year	122.967		122.967	-	161.546	16.017	82.558	15.883	7.397	1.320.424	161.547	5.396	1.770.768	1.720.444
Additions (i)	87.665	74.637	162.302	123.261	87.665	-	-	781.974	-	-	11.153	75.427	956.219	126.140
Amortization	(3.521)	-	(3.521)	(294)	(4.801)	-	-	(34.693)	(4.375)	(46.623)	(5.763)	-	(96.255)	(60.264)
Goodwill amortization	-	-		-	-	(564)	(5.196)	-	-	-	-	-	(5.760)	(5.758)
Provision for impairment	-	-		-	-	-	-	(299.452)	-	-	-	-	(299.452)	(9.794)
Acquired companies included in the consolidation	-	-		-	-	-	-	-	-	-	-	40.076	40.076	-
Transfers (ii)	-			-	-	-	-	-	4.016	-	-	(3.180)	836	-
End of year balance	207.111	74.637	281.748	122.967	244.410	15.453	77.362	463.712	7.038	1.273.801	166.937	117.719	2.366.432	1.770.768
Cost	210.926	74.637	285.563	123.261	255.687	17.633	96.778	508.656	31.165	1.398.703	183.119	117.719	2.609.460	1.911.910
Accumulated amortization	(3.815)	-	(3.815)	(294)	(11.277)	(2.180)	(19.416)	(44.944)	(24.127)	(124.902)	(16.182)	-	(243.028)	(141.142)
Net balance at the end of the year	207.111	74.637	281.748	122.967	244.410	15.453	77.362	463.712	7.038	1.273.801	166.937	117.719	2.366.432	1.770.768
Annual average amortization rates - %	3			3	3			8	5	3	3			

(i) The parent company's additions, which occurred during the year ended December 31, 2021, refer to the costs with acquired rights related to the exploration of renewable resources of the Jaíba V project (note 1.1.2 (e)).

(ii) Transfers made from the "Works in progress" class of property, plant and equipment to the "Software" class of intangible assets.

In thousands of Reais, unless otherwise stated

13 Loans and financing

Accounting Policy

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

Legend:

BNDES – National Bank for Economic and Social Development
CDI – Interbank Deposit Certificate
IPCA – National Broad Consumer Price Index
TJLP – Long-Term Interest Rate, set by the National Monetary Council

(a) Composition

					Parent company
				Non-current	2021
Modality	Average annual charges	Charges	Funding cost	Main	Total
Brazilian Reais					
Debentures	CDI+1.48%	1.464	(1.790)	300.000	299.674
		1.464	(1.790)	300.000	299.674

In thousands of Reais, unless otherwise stated

									Consolidated
									2021
					Current			Non-current	
Modality	Average annual charges	Charges	Funding cost	Main	Total	Funding cost	Main	Total	Total
Brazilian Reais									
BNDES	TJLP+2.53%	5.433	(7.217)	101.861	100.077	(66.333)	1.521.611	1.455.278	1.555.355
BNDES	TLP+4.56%	-	(72)	198	126	(18.824)	568.641	549.817	549.943
Debentures	IPCA+4.61% / CDI+1.56%	38.011	(6.256)	77.001	108.756	(46.517)	2.543.337	2.496.820	2.605.576
		43.444	(13.545)	179.060	208.959	(131.674)	4.633.589	4.501.915	4.710.874

									Consolidated
									2020
					Current			Non-current	
Modality	Average annual charges	Charges	Funding cost	Main	Total	Funding cost	Main	Total	Total
Brazilian Reais									
BNDES	TJLP +2.54%	5.210	(7.214)	100.244	98.240	(73.517)	1.621.711	1.548.194	1.646.434
Debentures	IPCA+4.62% / CDI+1.56%	32.464	(6.257)	4.530	30.737	(50.983)	2.123.500	2.072.517	2.103.254
		37.674	(13.471)	104.774	128.977	(124.500)	3.745.211	3.620.711	3.749.688

(b) Maturity profile

										Consolidated
Modality	2022	2023	2024	2025	2026	2027	2028	2029	As of 2030	Total
Brazilian Reais										
BNDES - TJLP+2.53%	100.077	104.267	107.964	112.410	116.856	130.181	150.874	166.120	566.606	1.555.355
BNDES - TLP+4.56%	126	19.337	24.963	24.963	24.963	24.963	24.963	24.963	380.702	549.943
Debentures - IPCA+4.61% / CDI+1.64%	108.756	71.148	500.818	81.047	6.531	6.530	577.460	577.460	675.826	2.605.576
	208.959	194.752	633.745	218.420	148.350	161.674	753.297	768.543	1.623.134	4.710.874
	4,44%	4,13%	13,45%	4,64%	3,15%	3,43%	15,99%	16,31%	34,46%	100,00%

In thousands of Reais, unless otherwise stated

(c) Transaction

	Parent company		Consolidated
	2021	2021	2020
Balance at the start of the year	-	3.749.688	3.790.782
Fundraising	300.000	838.860	1.501.290
Interest provision	1.464	254.894	227.464
Inflation adjustment	-	200.852	60.054
Appropriation of funding costs	-	13.739	26.333
Addition of funding costs	(1.790)	(20.988)	(51.210)
Interest paid	-	(221.180)	(208.973)
Liquidations	-	(104.991)	(1.596.052)
Balance at the end of the year	299.674	4.710.874	3.749.688

(d) Fundraising

The Company and its subsidiaries seek to extend the average debt tenures, as well as balance the cash flow for the construction of wind farms, as new loans are raised.

The main funding operations carried out in the year were as follows:

Date	Company	Modality	Due date	Currency	Value	Cost
Aug/2021	Ventos de Santa Alexandrina Energias Renováveis S.A.	BNDES TLP	2045	BRL	59.500	IPCA + 4.56%
Aug/2021	Ventos de São Bernardo Energias Renováveis S.A.	BNDES TLP	2045	BRL	60.500	IPCA + 4.56%
Aug/2021	Ventos de São Crispim I Energias Renováveis S.A.	BNDES TLP	2045	BRL	57.550	IPCA + 4.56%
Aug/2021	Ventos de Santo Antero Energias Renováveis S.A.	BNDES TLP	2045	BRL	67.600	IPCA + 4.56%
Aug/2021	Ventos de Santo Apolinário Energias Renováveis S.A.	BNDES TLP	2045	BRL	48.100	IPCA + 4.56%
Aug/2021	Ventos de São Ciríaco Energias Renováveis S.A.	BNDES TLP	2045	BRL	59.450	IPCA + 4.56%
Aug/2021	Ventos de Santo Alderico Energias Renováveis S.A.	BNDES TLP	2045	BRL	51.700	IPCA + 4.56%
Aug/2021	Ventos de Santo Alfredo Energias Renováveis S.A.	BNDES TLP	2045	BRL	43.850	IPCA + 4.56%
Aug/2021	Ventos de São Caio Energias Renováveis S.A.	BNDES TLP	2045	BRL	42.900	IPCA + 4.56%
Aug/2021	Ventos de São Ciro Energias Renováveis S.A.	BNDES TLP	2045	BRL	45.850	IPCA + 4.56%
Dec/2021	VTRM Energia Participações S.A.	Debentures	2024	BRL	300.000	CDI + 1.48%

(e) Warranties

Subsidiary	Modality	Guarantee
Piauí I	BNDES	Votorantim S.A. (i) and Ventos de São Vicente Participações Energias Renováveis S.A. Guarantee Reserve accounts; Pledge of assets and shares; Fiduciary assignment of credit rights and rights arising from authorizations.
Piauí I	Debentures	Votorantim S.A. guarantee
Piauí II and III	BNDES	Votorantim S.A.(i) and VTRM Energia Participações S.A. guarantee Pledge of assets and shares; Fiduciary assignment of credit rights and rights arising from authorizations.
Araripe III	BNDES	Votorantim S.A. (i) and Ventos de Santo Estevão Holding S.A. Guarantee Reserve accounts; Pledge of assets and shares; Fiduciary assignment of credit rights and rights arising from authorizations.
Araripe III	BNDES onlending	VTRM Energia Participações S.A. and Ventos de Santo Estevão Holding S.A. guarantee Reserve accounts; Pledge of assets and shares; Fiduciary assignment of credit rights and rights arising from authorizations.
Araripe III	Debentures	Guarantee SPEs(ii); Bank guarantee(i); Reserve accounts; Pledge of assets and shares; Fiduciary assignment of credit rights and rights arising from authorizations.
CESP	Debentures	Fiduciary assignment of credit rights.

(i) Warranties will be released after the fulfillment of certain obligations set forth in the contracts.
(ii) Companies that are part of the Ventos do Araripe III wind farm.

(f) Restrictive conditions

Loans and financing obtained by the Company's subsidiaries require compliance with certain financial restrictive clauses, under penalty of early maturity of the related debts. Furthermore, failure to comply with the such obligations or restrictions may lead to default in relation to other contractual obligations (cross default), depending on each loan and financing agreement. Additionally, loans and financing contain non-financial restrictive clauses, which are complied with according to the last calculation period.

Management of the Company's subsidiaries monitors these indices in a systematic and constant manner to make sure that the conditions are met. All restrictive conditions and financial and non-financial clauses are being properly met.

Among the clauses, there is a need to maintain the minimum Debt Service Coverage Ratio ("ICSD") at an amount equal to or greater than 1.20, considering the consolidated values of the accumulated period of 12 months, calculated annually in December. On December 31, 2021, the subsidiary Santo Estevão obtained a waiver from the creditors for not meeting the ICSD, substantially caused by the incident mentioned in Note 1.1.1 (a).

In thousands of Reais, unless otherwise stated

The subsidiary CESP has debt agreements (debentures) without financial covenants (restrictive clauses), normally applicable to this type of operation. However, other restrictive clauses contained in the Indenture are constantly monitored. The obligations arising from the debentures, including the cash obligations, may be declared overdue in advance, which could result in an adverse impact on the Company's cash flow. On December 31, 2021, the subsidiary CESP recognized the amount of R$ 22,500 under "Other Liabilities" as a contra entry to financial expenses (Note 27), because of the anticipation of the premium of contractual clauses.

14 Suppliers

	Parent company		Consolidated	
	2021	2020	2021	2020
Current				
Energy purchased for resale (i)	-	-	105.398	74.287
Energy purchased for resale - Related parties (Note 23) (i)	-	-	2.770	2.348
Material and service providers	3.910	1.231	88.167	15.152
Material and service suppliers - Related parties (Note 23)	1.155	720	1.950	1.058
Acquisition of projects and investments	3.081	35.593	3.081	35.593
Charges for use of the power grid (ii)	-	-	24.212	19.496
	8.146	37.544	225.578	147.934
Non-current				
Acquisition of projects and investments	74.216	41.538	74.216	41.538
	74.216	41.538	74.216	41.538
	82.362	79.082	299.794	189.472

(i) Refers to energy contracts purchased for resale, to balance the energy balance, in view of the review of the physical guarantee of CESP's plants, according to MME Ordinance No. 178/2017.

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

15 Current and deferred income tax and social contribution

Accounting policy

The Company and its subsidiaries are subject to income tax and social contribution. Income tax and social contribution expenses for the year comprise current and deferred tax and contribution. Income tax and social contribution are recognized in the income statement, except to the extent that they relate to items recognized directly in equity. In this case, tax and social contribution are also recognized in equity or comprehensive income.

Current and deferred income tax and social contribution charges are calculated based on tax laws enacted, or substantially enacted, on the balance sheet date. Management periodically assesses the positions taken in the calculation of income taxes and social contribution in relation to situations in which the applicable tax regulations give rise to interpretations. Establishes provisions, when appropriate, based on estimated amounts paid to tax authorities. Current income tax and social contribution are presented net, by taxpayer, in liabilities when there are amounts payable, or in assets when amounts paid in advance exceed the total due at the balance sheet date.

In thousands of Reais, unless otherwise stated

Deferred income tax and social contribution assets are recognized only in proportion to the probability that future taxable income will be available and against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are presented net in the balance sheet when there is a legal right and the intention to offset them when calculating current taxes, generally related to the same legal entity and the same tax authority. Thus, deferred tax assets and liabilities in different entities are generally presented separately, rather than on a net basis.

The provision for income tax and social contribution is calculated individually by entity based on tax rates and rules in force. The Company also recognizes provisions for situations in which it is probable that additional amounts of taxes will be due. When the result of this valuation differs from the amounts initially estimated and recorded, these differences affect current and deferred tax assets and liabilities in the period in which the definitive amount is determined.

The subsidiaries of Piauí I, II and III and Araripe III, except for Ventos de São Vicente Participações de Energias Renováveis S.A. and Ventos de Santo Estevão Holding S.A., opted to pay income tax and social contribution under the presumed profit regime based on the rate of 8% (IRPJ) and 12% (CSLL) on energy sales revenues.

(a) Reconciliation of IRPJ and CSLL expenses

Effective rates correspond to pretax profit at the statutory rates in force plus or minus tax permanent differences.

The income tax and social contribution amounts shown in the income for the year present the following reconciliation based on the statutory nominal rate:

	Parent company		Consolidated	
	2021	2020	2021	2020
Profit before income tax and social contribution	59.370	629.429	592.854	191.699
Nominal rates	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal rates	(20.186)	(214.006)	(201.570)	(65.178)
Adjustments for the calculation of the effective IRPJ and CSLL				
Equity	16.620	222.344	-	-
Constitution of deferred IRPJ and CSLL (Note 15(b))	-	-	-	1.513.477
Tax loss and negative basis without recognition of deferred charges	(294)	3.543	(17.560)	(7.110)
Temporary exclusions (additions) without recording deferred charges	129	1.272	(20.081)	3.049
Effects of companies taxed by presumed profit	-	-	(44.207)	(12.053)
Tax incentive	16	-	434	51.000
Other permanent net exclusions (additions)	3.084	(17.773)	1.776	(24.414)
IRPJ and CSLL calculated	(631)	(4.620)	(281.208)	1.458.771
Current	50	(8.236)	(40.325)	(47.049)
Deferred	(681)	3.616	(240.883)	1.505.820
IRPJ and CSLL in the income	(631)	(4.620)	(281.208)	1.458.771
Effective rate %	(1,06%)	(0,73%)	(47,43%)	760,97%

In thousands of Reais, unless otherwise stated

(b) Composition of deferred tax balances

The balances recorded until December 31, 2021 of deferred credits on income tax losses, negative basis of deferred social contribution and temporary differences of CESP are supported by financial projections prepared by the subsidiary's Management for the concession period, which are reviewed annually, consistently demonstrate the realization of tax loss carryforwards, negative basis for social contribution and temporary differences.

The projections with the deadline for each concession, adopt as basic billing assumptions the physical quantity of energy (MWh) and prices contracted with distributors through energy auctions, energy supply contracts to free consumers, maintenance of the level of expenses operations and consider the reduction of financial expenses, which prove the achievement of future taxable profits.

The estimate used for the analysis is the Strategic Planning (PE) which demonstrates that CESP will generate taxable profits before the end of the concession in excess of the total amount of tax credits. Tax losses and negative basis are expected to be fully recovered by 2036.

	Parent company		Consolidated	
	2021	2020	2021	2020
Income tax and social contribution				
Tax credits on temporary differences				
Tax losses and negative basis	-	-	1.035.256	1.040.974
Provision for impairment	-	-	588.560	508.951
Regulatory asset provision	-	-	461.031	461.031
Provision for lawsuits	-	-	451.982	594.407
Update of post-employment benefits	-	-	74.085	-
Energy futures contracts	-	-	2.790	7.291
Hedge accounting	-	-	4.318	3.355
Other provisions	-	-	72.149	78.745
Tax debts on temporary differences				
Gain on advantageous purchase from CESP (i)	(312.805)	(312.805)	(312.805)	(312.805)
Renegotiation of hydrological risk	-	-	(254.587)	-
Update of balance of judicial deposits	-	-	(18.291)	(66.781)
Recognition and realization of goodwill	(14.136)	(17.512)	(34.445)	(43.779)
Disposal of investees	(4.057)	-	(4.774)	-
Effect on other comprehensive income				
Post-employment benefits (i)	-	-	532.985	820.209
Assigned cost of fixed assets	-	-	458.615	473.762
Hedge accounting	-	-	-	32.082
Net	(330.998)	(330.317)	3.056.869	3.597.442
Deferred tax net assets of the same legal entity	-	-	3.408.893	3.954.680
Deferred tax net liabilities of the same legal entity	(330.998)	(330.317)	(352.024)	(357.238)

(i) These deferred tax balances are expected by Management to be recovered in the normal course of business.

In thousands of Reais, unless otherwise stated

(c) Effect of deferred income tax and social contribution

	Parent company		Consolidated	
	2021	2020	2021	2020
Balance at the start of the year	(330.317)	(167.133)	3.597.442	1.510.938
Effects on the income	(681)	3.616	(240.883)	1.505.820
Effects on comprehensive income				
Hedge accounting	-	-	(32.082)	45.237
Employee pension entity	-	-	(267.608)	535.447
Effects on equity - SF92 Merger	-	(166.800)	-	-
Balance at the end of the year	(330.998)	(330.317)	3.056.869	3.597.442

(d) Realization of deferred income tax and social contribution

								Consolidated
	2022	2023 and 2024	2025 and 2026	2027 and 2028	2029 and 2030	2031 to 2036	From 2037	Total
Realization of deferred charges with effect on income								
Tax credits on temporary differences								
Tax loss and negative basis	-	140.393	102.542	193.875	174.958	423.488	-	1.035.256
Provision for impairment - CPC 01	17.159	34.318	34.318	34.318	34.318	102.955	331.174	588.560
Regulatory asset provision	-	107.489	124.636	146.392	82.514	-	-	461.031
Provision for litigation	13.194	199.082	239.706	-	-	-	-	451.982
Update of post-employment benefits	74.085	-	-	-	-	-	-	74.085
Energy futures contracts	2.790	-	-	-	-	-	-	2.790
Operational hedge accounting	4.318	-	-	-	-	-	-	4.318
Other provisions	20.869	27.361	8.356	7.566	2.940	1.165	3.892	72.149
Tax debts on temporary differences								
Renegotiation of hydrological risk	(12.537)	(14.559)	(14.559)	(14.559)	(14.559)	(43.678)	(140.136)	(254.587)
Update of balance of judicial deposits	(534)	(8.056)	(9.701)	-	-	-	-	(18.291)
Recognition and realization of goodwill	(10.137)	(19.276)	(18.278)	(17.137)	(5.775)	13.338	22.820	(34.445)
Disposal of investees	(108)	(474)	(978)	(1.206)	(1.174)	(834)	-	(4.774)
	109.099	466.278	466.042	349.249	273.222	496.434	217.750	2.378.074
Deferred realization of the PL reserve with effect on income								
Assigned cost of fixed assets	15.140	30.280	30.280	30.280	30.280	90.840	231.515	458.615
	15.140	30.280	30.280	30.280	30.280	90.840	231.515	458.615
	124.239	496.558	496.322	379.529	303.502	587.274	449.265	2.836.689

The other balances of deferred taxes, are expected by Management to be recovered in the normal course of business

16 Energy futures contracts

Accounting policy

The indirect subsidiary CESP Comercializadora carries out trading operations, which are traded in an active market and meet the definition of financial instruments, as they are settled in energy and readily convertible into cash. Such contracts are recorded in the balance sheet at fair value, on the date they are entered into, and revalued at fair value on the balance sheet date, with a corresponding entry to other operating income and expenses. As mentioned in note 2.4, as of June 2021, the Company began to measure at fair value its entire portfolio of contracts, which was previously limited to contracts with a term of up to 36 months.

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

In thousands of Reais, unless otherwise stated

(a) Composition

	Consolidated					
	2021			2020		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Current	270.815	(282.619)	(11.804)	103.139	(120.475)	(17.336)
Non-current	341.292	(337.697)	3.595	25.297	(29.405)	(4.108)
	612.107	(620.316)	(8.209)	128.436	(149.880)	(21.444)

(b) Transaction

	Consolidated	
	2021	2020
Opening net balance for the year	(21.444)	-
Realization	(74.561)	7.313
Mark-to-Market	87.796	(28.757)
End of year net balance	(8.209)	(21.444)

17 Sector charges

	Consolidated	
	2021	2020
Current		
R&D - Projects (i)	11.346	65.699
Financial Compensation for the Use of Water Resources - CFURH	6.440	8.580
Quotas for R&D - FNDCT (ii)	1.039	969
Quotas for R&D - MME (ii)	520	490
Inspection Fee for Electricity Services - TFSEE	444	620
Quotas for R&D - CDE (ii)	312	-
Global Reversion Reserve - RGR	69	149
	20.170	76.507
Non Current		
R&D - Projects (i)	-	1.240
	-	1.240
	20.170	77.747

(i) Balance of resources to be invested in Research and Development ("R&D") projects, updated by the SELIC rate. Investments applied in R&D are accounted for under assets and, upon completion of the project, are recognized as the settlement of the obligation.

(ii) Quotas provisioned for the Annual Research and Development Program - R&D to be collected for the National Fund for Scientific and Technological Development - FNDCT, for the Ministry of Mines and Energy - MME, in compliance with Law No. 9,991, of July 24, 2000; and for Energy Development Account (CDE), as mentioned in note 7.

In thousands of Reais, unless otherwise stated

18 UBP – Use of a public asset

Accounting policy

In accordance with the UBP concession agreement that regulates the operation of the Porto Primavera HPP, CESP has the obligation to pay a UBP of 2.50% on gross revenue for 5 years.

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

The concession began on April 15, 2019 with a term of 37 years. The payment of the UBP is monthly from the 13th month after the start of the contract.

Composition and transactions

			Consolidated
			2021
	UBP	(-) Adjustment to present value	Net Liabilities
Opening balance for the year	167.948	(12.584)	155.364
Realization current value adjustment	-	5.631	5.631
Reassessment of the disbursement flow	14.754	(3.601)	11.153
Payments	(42.155)	-	(42.155)
End of year balance	140.547	(10.554)	129.993
Current	42.462	-	42.462
Non-current	98.085	(10.554)	87.531
	140.547	(10.554)	129.993

			Consolidated
			2020
	UBP	(-) Adjustment to present value	Net Liabilities
Opening balance for the year	212.308	(24.678)	187.630
Realization current value adjustment	-	6.791	6.791
Reassessment of the disbursement flow	(15.097)	5.303	(9.794)
Payments	(29.263)	-	(29.263)
End of year balance	167.948	(12.584)	155.364
Current	41.307	-	41.307
Non-current	126.641	(12.584)	114.057
	167.948	(12.584)	155.364

In thousands of Reais, unless otherwise stated

19 Social and environmental obligations and asset demobilization

Accounting policy

Social and environmental obligations

At the subsidiary CESP, the socio-environmental costs related to the Operating License No. 121/2000 of the Porto Primavera HPP renewed in 2018 are related to monitoring and conservation activities in the areas close to the HPP facilities, including reforestation and social programs. For these costs, the best estimate for future disbursements is prepared, brought to present value and recorded as a contra entry to property, plant and equipment. These costs will be amortized over the term of the operating license (10 years).

The environmental liability must be recognized when there is an obligation at an environmental cost that has not yet been disbursed, provided that it meets the criteria for recognition as an obligation. Therefore, this type of liability is defined as a present obligation that arose from past events. These obligations are related to the Terms of Adjustment of Conduct ("TAC") signed with the Public Ministry and which are not contained in the conditions of the Operating License.

Obligations with asset demobilization

In accordance with CPC 27 - Property, plant and equipment, the measurement of obligations for asset demobilization involves judgment for several assumptions. From an environmental perspective, these comprise future obligations to restore/recover the environment, to ecologically similar conditions to the existing ones, before the start of the project or activity or to take compensatory measures, agreed with the competent bodies, due to the impossibility of returning to these pre-existing conditions. These obligations arise from the beginning of the environmental degradation of the occupied area, object of the operation or from formal commitments assumed with the environmental agency, whose degradation needs to be compensated. The dismantling and withdrawal of an asset from operation occurs when it is permanently deactivated, through its stoppage, sale or disposal.

Obligations consist primarily of costs associated with wind farm closures. The asset retirement cost, equivalent to the present value of the obligation (liabilities), is capitalized as part of the asset's book value, which is depreciated over its useful life. These liabilities are recorded as provisions. These estimates are reviewed annually by the Company and its subsidiaries.

Composition and transactions

							Consolidated
							2021
	Asset demobilization	Environmental license	Conduct adjustment term		Social and environmental obligations	(-) Adjustment to present value	Total
Balance at the start of the year	721.998	163.734	52.464		6.055	(680.438)	263.813
Additions	-	64.891	7.607		-	(15.033)	57.465
Payments	-	(11.133)	(6.155)	-	3,00	-	(17.291)
Realization current value adjustment	-	-	-		-	10.354	10.354
Balance at the end of the year	721.998	217.492	53.916		6.052	(685.117)	314.341
Current	-	30.958	7.055		6.052	-	44.065
Non-current	721.998	186.534	46.861		-	(685.117)	270.276
	721.998	217.492	53.916		6.052	(685.117)	314.341

In thousands of Reais, unless otherwise stated

						Consolidated
						2020
	Asset demobilization	Environmental license	Conduct adjustment term	Social and environmental obligations	(-) Adjustment to present value	Total
Balance at the start of the year	721.998	181.831	52.742	6.055	(697.421)	265.205
Additions	-	-	4.206	-	-	4.206
Reversals	-	(12.937)	-	-	3.164	(9.773)
Payments	-	(5.160)	(4.484)	-	-	(9.644)
Realization current value adjustment	-	-	-	-	13.819	13.819
Balance at the end of the year	721.998	163.734	52.464	6.055	(680.438)	263.813
Current	-	22.901	5.522	6.055	-	34.478
Non-current	721.998	140.833	46.942	-	(680.438)	229.335
	721.998	163.734	52.464	6.055	(680.438)	263.813

20 Provision for reimbursement

Accounting policy

The CCEE reimbursement provision account reflects the effects on wind energy generation outside the established tolerance limits (energy actually generated and energy contracted). Such variations outside the limits imply the recording by estimate of contractual assets or liabilities and are recognized in income as a positive or negative adjustment to revenue, under the heading "Gross revenue from energy sales". The Management of the Company and its subsidiaries understand that the analysis of compliance with these limits is a significant estimate.

(a) Annual reimbursement

LER contracts: If the energy supplied in the year is less than 90% of the energy contracted annually, the total reimbursement value will include a) the reimbursement value equivalent to the application of the contractual price in force at the time of calculation on the amount in MWh that is below 90%, b) and a penalty, equivalent to the application of 15% of the current contractual price on the amount in MWh that is below 90%. If the energy supplied exceeds 130% of the energy contracted, the subsidiaries will receive the amount equivalent to 70% of the contractual price in force over the amount in MWh. In both cases, the financial settlement takes place in 12 monthly installments from the second month of the next annual cycle, upon settlement of the monthly invoices issued by the subsidiaries to CCEE.

LEN contracts: If the energy supplied in the year is below 90% of the energy contracted annually, the amount of the reimbursement will be equivalent to the highest value between the contractual price in force, in the base calculation cycle, and the average PLD for the same period, applied to the amount in MWh that is below 90%. The financial settlements, depending on the auction, occur either in 12 monthly installments or via partial or full deduction of revenue, in which case, the number of installments may vary if the amount to be deducted is greater than the monthly revenue, both from of the second month of the next contractual year. If the energy supplied is greater than the energy contracted, the ranges will be between 130% and 100%, according to the current year of calculation of the four-year reimbursement, with the tolerance limits being: 130% in the first year, 120% in the second year, 110% in the third year or 100% in the fourth year. For these cases, the Company will receive the amount equivalent to the application of the PLD on the amount in MWh according to the tolerance limit, in a single installment from the second month of the next contractual year, upon settlement of the monthly invoices issued by the Company to CCEE.

In thousands of Reais, unless otherwise stated

(b) Four-year reimbursement

LER contracts: If the energy supplied is less than 100% of the energy contracted at the end of each four-year period, the total reimbursement value will include a) The reimbursement value equivalent to the application of the current contractual price on the amount in MWh that is less than 100% and greater than 90% of the contracted amount, b) and a penalty, equivalent to the application of 6% of the current contractual price applied to the amount in MWh that is below 100% and greater than 90% of the contracted amount, given that the annual reimbursement captures deviations below 90%. If the energy supplied exceeds 100% of the energy contracted, the subsidiaries will receive the amount equivalent to the application of the PLD - settlement price of differences over the amount in MWh, or they can carry the balance to the next four-year period, or sell to another seller of the same auction. The financial settlement for energy supplied below the limits occurs in 12 monthly installments and the financial settlement for energy generated above the limits occurs in 24 monthly installments, both from the second month of the last contractual year of each four-year cycle, upon settlement of monthly bills issued by the subsidiaries to the CCEE.

LEN contracts: If the energy supplied is less than 100% of the energy contracted at the end of each four-year period, the reimbursement amount will be equivalent to the highest value between the contractual price in force in the last year of the calculation base cycle plus 6% and the average PLD for the four-year period calculation applied to the amount in MWh that is less than 100% and greater than 90% of the amount, given that the annual reimbursement captures deviations of less than 90%. The financial settlement, depending on the auction, takes place either in 12 monthly installments, or via partial or full deduction of revenue, in which case, the number of installments may vary if the amount to be deducted is greater than the monthly revenue, in both cases from from February of the year following the last contractual year of each four-year period, upon settlement of the monthly invoices issued by the Company to CCEE. There is no four-year financial settlement for energy supplied above the limits, since, in this case, the amounts will be settled according to the criteria included in the annual reimbursement.

(c) Composition and transactions

			Consolidated
	Annual reimbursement	Four-year reimbursement	2021
Balance at the start of the year	64.582	76.221	140.803
Additions (i)	148.447	70.187	218.634
Reversals	(8.738)	(17.705)	(26.443)
Realizations	533	-	533
	140.242	52.482	192.724
Balance at the end of the year	204.824	128.703	333.527
Current	204.824	120.733	325.557
Non-current	-	7.970	7.970
	204.824	128.703	333.527

			Consolidated
	Annual reimbursement	Four-year reimbursement	2020
Balance at the start of the year	8.583	40.622	49.205
Additions (i)	57.852	41.966	99.818
Realizations	(1.853)	(6.367)	(8.220)
	55.999	35.599	91.598
Balance at the end of the year	64.582	76.221	140.803
Current	64.582	-	64.582
Non-current	-	76.221	76.221
	64.582	76.221	140.803

(i) The increase in additions refers substantially to the Transformer incident mentioned in note 1.1.1 (a).

In thousands of Reais, unless otherwise stated

21 Provisions

Accounting policy

The subsidiaries, mostly CESP, have administrative and judicial proceedings in different spheres, courts and instances, of a labor, tax, civil and environmental nature. Management provisions for those claims when it estimates the risk of loss is probable, under the advice of its legal counsel.

Provisions for losses classified as probable are recognized in the accounts, provided that: (i) there is a present obligation (legal or not formalized) arising from past events; (ii) it is probable that there will be an outflow of resources to settle the obligation; and (iii) the amount of the obligation can be reliably estimated. Provisions for which the likelihood of loss is classified as possible or remote are not recognized in the accounts, the former being disclosed in the explanatory notes. The risk estimates attributed to legal proceedings are based on the assessment and the advice of its internal and external legal counsel.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, reflecting current market assessments of the time value of money and the risks specific to the obligation. Changes in the estimate of provisioned amounts are recognized in the income statement.

(a) Composition and transactions

					Consolidated
					2021
	Civil	Labor	Environmental	Tax	Total
Balance at the start of the year	1.616.163	113.388	14.187	4.568	1.748.306
Updates	160.708	5.595	1.132	81	167.516
Provision / (reversal)	(476.717)	(4.764)	54.611	1.177	(425.693)
(-) Payments	(135.426)	(22.115)	(3.021)	(155)	(160.717)
Balance at the end of the year	1.164.728	92.104	66.909	5.671	1.329.412

					Consolidated
					2020
	Civil	Labor	Environmental	Tax	Total
Balance at the start of the year	1.226.716	138.597	443.627	5.435	1.814.375
Updates	260.006	16.923	38.339	489	315.757
Provision / (reversal)	202.164	(1.925)	(465.622)	(1.212)	(266.595)
(-) Payments	(72.723)	(40.207)	(2.157)	(144)	(115.231)
Balance at the end of the year	1.616.163	113.388	14.187	4.568	1.748.306

Litigation liabilities are subject to constant changes because their measurement is linked to the progress of lawsuits. Thus, as an institutional policy, the Company seeks to reflect in its balance sheet, with the shortest possible delay, the current status of its position.

The changes in the probable risk of loss cases was mainly due to a review of estimates according to the procedural evolution of the cases, judicial agreements and decisions that occurred in the year. The highlights in the year ended December 31, 2021 were the agreements referring to the action of the Oleiros Ceramistas de Panorama, which was the largest individual lawsuit in CESP's portfolio.

In thousands of Reais, unless otherwise stated

(b) Lawsuits with risk of loss considered possible

The breakdown by nature of lawsuits with a probability of loss assessed as possible in which the Company and its subsidiaries are involved, for which there is no provision recorded, is shown below:

	Consolidated	
	2021	2020
Civil	1.307.288	2.242.308
Tax	436.983	453.415
Environmental	347.162	165.839
Labor	51.404	51.672
	2.142.837	2.913.234

The Management of the Company and its subsidiaries, under the advice of its legal counsel, believe that the amounts provisioned are sufficient to cover probable losses.

The main lawsuits are summarized below:

Civil Lawsuits

Subsidiary CESP is a party to civil lawsuits, covering expropriations, indemnities and obligations to act, mainly due to the implementation of projects whose execution was or is under its responsibility.

Currently, subsidiary CESP is involved in 151 civil lawsuits for which risk of loss is considered possible, totaling R$ 1,307,272 (R$ 2,242,308 as of December 31, 2020).

Tax Lawsuits

The subsidiaries of the Araripe III wind farms have tax lawsuits with risk of loss considered possible loss in the amount of R$ 976 as of December 31, 2021.

The subsidiary CESP has a total of 122 tax lawsuits with an expectation of loss considered possible as of December 31, 2021, totaling R$ 436,007 (R$ 453,415 as of December 31, 2020) contingent on this forecast.

Environmental Lawsuits

The subsidiary CESP is a party to lawsuits of an environmental nature, the object of which, in general, is discussions related to measures to remedy environmental damage, mainly due to the high environmental impact of the projects whose execution was or is under subsidiary CESP's responsibility. Currently, subsidiary CESP is involved in 541 environmental lawsuits whose expectation of loss is considered possible, totaling R$ 344,340 (R$ 163,144 as of December 31, 2020) contingent on these forecasts.

Labor claims

CESP is a party to labor claims, covering discussions related to responsibilities of the subsidiary, mainly due to the contracting of third parties. The Company has a total of 120 cases with a possible risk of loss, totaling R$ 51,404 (R$ 51,672 as of December 31, 2020) contingent on this prognosis.

22 Post-employment benefits

Subsidiary CESP sponsors medical assistance and retirement plans for its employees and former employees and their respective beneficiaries in order to supplement the benefits provided by the official social security system. Vivest (formerly Fundação CESP) is the entity responsible for managing the benefit plans sponsored by CESP.

The benefit plans were set up in the form of a Defined Benefit (BD) and also a Defined Contribution (CD) plan. The subsidiary CESP's most relevant BD benefit plan is the so-called BSPS (Settled Proportional Supplementary Benefit) created in 1997.

Accounting policy

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

The liability recognized in the balance sheet with respect to defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, minus the fair value of plan assets.

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

CESP migration plan and deficit solution

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

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

In the settlement process, which only affects active and self-sponsored participants, benefits already accrued in the plan are preserved and future accrual is interrupted. That is, there will no longer be new contributions to benefit formation in the Defined Benefit (BD) and Variable Contribution (CV) sub-plans of PSAP/CESP B1. It is important to note that this process does not affect the benefits paid to retirees and pensioners by the plan, whose acquired right is preserved.

Migration, on the other hand, is the opportunity that participants have to transfer their resources from the PSAP/CESP B1, which is a defined benefit plan – BD, to the CESP CD Plan, which is a defined contribution plan. Although the settlement will only occur for active participants, the migration to the CESP CD Plan will be open to all participants of the PSAP/CESP B1 Plan. It is important to note that migration will be voluntary and will only occur during the migration period. Participants who do not opt for migration will remain under the rules and conditions of PSAP/CESP B1, therefore receiving a previously defined lifetime income. Participants who opt for migration cease to have the benefit of lifetime income and start to have financial income equivalent to the value of their migrated reservation.

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

In thousands of Reais, unless otherwise stated

Statement of liabilities to be recorded in accordance with CPC 33 (R1) / IAS 19

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

Actuarial assumptions

			2021			2020
	BSPS	BD	CV	BSPS	BD	CV
Assumptions:						
Rate used for discounting the actuarial liability to present value	8,68%	8,68%	8,68%	6,56%	6,56%	6,56%
Expected rate of return on plan assets	8,68%	8,68%	8,68%	6,56%	6,56%	6,56%
Actual rate used for discounting the actuarial liability to present value	5,26%	5,26%	5,26%	3,21%	3,21%	3,21%
Salary growth rate	Eliminated due to settlement			NA	4,28%	4,28%
Long-term inflation rate	3,25%	3,25%	3,25%	3,25%	3,25%	3,25%
Turnover rate	Eliminated due to settlement			Vivest experience		
Mortality table	AT 2000 segregated by sex			AT 2000 segregated by sex		
Disability entry table	LIGHT-LOW SOFTENED BY 30%			LIGHT-LOW SOFTENED BY 30%		
Invalid mortality table	10%			AT - 1949		
Number of participants:						
Number of active participants	62	155	87	58	145	137
Number of inactive participants - retired without disability	4.307	1.935	1.037	4.379	1.916	1.015
Number of inactive participants - retirees due to disability	148	65	25	156	69	26
Number of inactive participants - pensioners	1.227	231	84	1.154	205	75
Number of BPD participants waiting	23	74	25	-	-	-

Actuarial valuation

In the actuarial valuation of the plans, the projected unit credit method was adopted. The net assets of benefit plans are valued at market values (market marking).

The subsidiary CESP recognizes actuarial gains or losses in shareholders' equity, in other comprehensive income.

BSPS Plan - Coverage in effect until December 31, 1997

This is the cover under the Defined Benefit plan relating to a Benefit Settled on December 31, 1997, therefore covering only participants enrolled up to that date, and which was based on coverage of 100% of the final average salary. The responsibility for actuarial insufficiencies is exclusive to CESP Sponsor.

BD Plan - Coverage in effect after December 31, 1997

This is the cover under the Defined Benefit plan, based on 70% of the final average salary for those enrolled after December 31, 1997, and proportional length of service accumulated after December 31, 1997 for those enrolled up to that date. The liability for actuarial shortfalls is in accordance with current legislation, which currently refers to the proportion of contributions made to the plan between the Sponsor on one side and participants (including those assisted) on the other, which results in less than 50% of the liability of the Sponsor CESP, as the sponsored proceedings are included among the participants.

In thousands of Reais, unless otherwise stated

CV Plan - Coverage in effect after December 31, 1997

This is an additional supplement that will be granted concurrently with the other benefits and will be based on the balance of the participant's total retirement account, multiplied by a conversion factor, which will depend on the participant's option. The income collection options are:

1. Lifetime monthly income without continuation to beneficiaries;
2. Lifetime monthly income with continuation to beneficiaries;
3. Monthly income for a fixed term that can be 10, 15 or 20 years;
4. Monthly income as a percentage of the balance from 0.10% to 2.00%

The participant may choose to receive up to 25% of the account balance in a single payment, provided that the remaining balance does not generate an income lower than 10% of the subsidiary CESP reference unit.

Calculation and transactions

				Consolidated
Sensitivity analysis	BSPS	BD	CV	Total
Effect on a defined benefit obligation if:				
Discount rate is reduced by 0.5%	6.421.859	1.017.539	142.799	7.582.197
Discount rate is increased by 0.5%	6.953.078	1.123.809	159.993	8.236.880

				Consolidated
Forecast cash flows	BSPS	BD	CV	Total
Estimate of the sponsor's contributions to the plan in the following year	57.604		1.664	59.268
Expected plan benefit payments:				
2022	611.861	76.367	13.379	701.607
2023	621.375	78.643	13.717	713.735
2024	630.013	81.184	13.981	725.178
2025	637.616	83.551	14.352	735.519
2026	643.989	86.076	14.663	744.728
2027 to 2031	3.260.708	467.303	78.289	3.806.300

						Consolidated
		BSPS		BD		CV
Fair value of benefit plan assets	2021	2020	2021	2020	2021	2020
Assets						
Available	-	551	-	144	-	113
Receivable	579.328	1.362	149	1	10.438	-
Investment	5.199.132	5.307.713	986.255	996.570	131.406	136.631
	5.778.460	5.309.626	986.404	996.715	141.844	136.744
Liabilities						
Obligations	(142.279)	(140.943)	(4.900)	(4.556)	(1.020)	(754)
Non-pension funds	(1.760)	(3.656)	-	-	-	-
CD account balances	-	-	- 7.421	-	(21.406)	(28.259)
Fair value	5.634.421	5.165.027	974.083	992.159	119.418	107.731

(a) Conciliation of assets and liabilities

		Consolidated
	2021	2020
Net actuarial liability value	7.897.265	8.449.397
Fair value of plan assets	(6.111.766)	(6.037.018)
Total net equity	1.785.499	2.412.379

In thousands of Reais, unless otherwise stated

(b) Changes in actuarial liabilities

				Consolidated
				2021
	BSPS	BD	CV	Total
Initial balance of present value of obligations	7.145.620	1.131.378	172.399	8.449.397
Current service cost (c)		1.564	188	1.752
Past service cost		1.861		1.861
Interest on the actuarial obligation (c)	451.340	72.250	10.982	534.572
Contributions from participants		1.179		1.179
Benefits paid by the plan	(529.866)	(63.747)	(10.487)	(604.100)
Actuarial (gains) / losses (d)	(389.199)	(76.142)	(22.055)	(487.396)
Total obligation in the year	6.677.895	1.068.343	151.027	7.897.265
Initial balance of the fair value of plan assets	(4.994.967)	(947.860)	(94.191)	(6.037.018)
Interest on plan assets (c)	(310.256)	(60.327)	(5.867)	(376.450)
Contributions from participants		(1.179)		(1.179)
Sponsor contributions		(527)	(1.006)	(1.533)
Benefits paid by the plan	529.866	63.747	10.487	604.100
Earnings from plan assets (d)	(257.375)	(26.676)	(15.635)	(299.686)
Fair value of plan assets	(5.032.732)	(972.822)	(106.212)	(6.111.766)
Initial balance of irrecoverable surplus	-	-	-	-
Interest on irrecoverable surplus (c)	-	-	-	-
Change in irrecoverable surplus during the year (d)	-	-	-	-
Effect of the limit for recognition of a defined benefit asset	-	-	-	-
Total net equity	1.645.163	95.521	44.815	1.785.499

				Consolidated
				2020
	BSPS	BD	CV	Total
Initial balance of present value of obligations	5.623.274	911.823	130.716	6.665.813
Current service cost (c)		(667)	178	(489)
Interest on the actuarial obligation (c)	388.022	63.703	9.082	460.807
Contributions from participants		2.468		2.468
Benefits paid by the plan	(436.391)	(50.100)	(8.099)	(494.590)
Actuarial (gains) / losses (d)	1.570.715	204.151	40.522	1.815.388
Total obligation in the year	7.145.620	1.131.378	172.399	8.449.397
Initial balance of the fair value of plan assets	(4.818.057)	(949.467)	(98.938)	(5.866.462)
Interest on plan assets (c)	(330.368)	(66.705)	(6.807)	(403.880)
Contributions from participants		(2.468)		(2.468)
Sponsor contributions		(905)	(425)	(1.330)
Benefits paid by the plan	436.391	50.100	8.099	494.590
Earnings from plan assets (d)	(282.933)	21.585	3.880	(257.468)
Fair value of plan assets	(4.994.967)	(947.860)	(94.191)	(6.037.018)
Initial balance of irrecoverable surplus	-	37.644	-	37.644
Interest on irrecoverable surplus (c)	-	2.695	-	2.695
Change in irrecoverable surplus during the year (d)	-	(40.339)	-	(40.339)
Effect of the limit for recognition of a defined benefit asset	-	-	-	-
Total net equity	2.150.653	183.518	78.208	2.412.379

In thousands of Reais, unless otherwise stated

(c) Effects on income for the year

					Consolidated
				2021	2020
	BSPS	BD	CV	Total	Total
Current service cost	-	1.564	188	1.752	(489)
Past service cost	-	1.861	-	1.861	-
Interest cost on the obligation	451.340	72.250	10.982	534.572	460.807
Expected return on plan assets	(310.256)	(60.327)	(5.867)	(376.450)	(403.880)
Expenditure on the "asset cap"	-	-	-	-	2.695
Estimated (revenue) / expense for the year	141.084	15.348	5.303	161.735	59.133

(d) Effects om other comprehensive income (ORA)

					Consolidated
	BSPS	BD	CV	2021	2020
Actuarial loss on the evolution of the liability, including routine settlemen	937.420	204.587	22.032	1.164.039	1.772.244
Actuarial loss from changes in assumptions	(1.326.619)	(280.729)	(44.087)	(1.651.435)	43.144
Asset yield (greater)/lower than recognized net interest	(257.375)	(26.676)	(15.635)	(299.686)	(257.468)
Changes in the effect of the limit for asset recognition in the year	-	-	-	-	(40.339)
Transactions in ORA during exercise	(646.574)	(102.818)	(37.690)	(787.082)	1.517.581
Effects of deferred taxes	219.835	34.958	12.815	267.608	(535.447)
Net effect on other comprehensive income	(426.739)	(67.860)	(24.875)	(519.474)	982.134

(e) Estimated Expense / (Revenue) for 2022 (unaudited)

				Consolidated
				2022
	BSPS	BD	CV	Total
Current service cost	-		125	125
Interest cost on the obligation	553.087	89.418	12.640	655.145
Expected return on plan assets	(412.787)	(81.127)	(8.823)	(502.737)
Estimated (revenue) expense for the year	140.300	8.291	3.942	152.533

In thousands of Reais, unless otherwise stated

23 Related parties:

Accounting policy

Transactions with related parties are carried out by the Company and its subsidiaries under strictly commutative conditions, observing the usual market prices and conditions and, therefore, do not generate any undue benefit to their counterparties or losses to the Company and its subsidiaries. In the normal course of operations, the Company and its subsidiaries enter into agreements with related parties (affiliates, joint ventures and shareholders), mainly related to the purchase and sale of energy and services.

Parent company

	Dividends receivable		Assets non-current		Suppliers (Note 14)		Dividends payable		Liabilities non-current		Purchases and services		Financial income (Note 27)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Joint controlling shareholders														
Votorantim Geração de Energia S.A.	-	-	-	-	1.038	666	6.976	139.651	-	-	(13.979)	(11.268)	-	-
CPP Investments	-	-	-	-	-	-	6.976	139.651	-	-	-	-	-	-
Affiliated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Votoratim S.A.	-	-	-	-	117	54	-	-	-	-	(467)	(1.249)	-	-
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	-	-	-	-	-	-	-	-	-	-	(2.752)	(2.914)	-	-
Companhia Brasileira de Alumínio (i)	-	-	46.331	-	-	-	-	-	36.373	-	-	-	9.958	-
CBA Itapissuma (i)	-	-	12.259	-	-	-	-	-	10.285	-	-	-	1.974	-
Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Companhia Energética de São Paulo - CESP	153.929	229.213	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de São Vicente Participações Energias Renováveis S.A.	6.270	16.702	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santo Estevão Holding S.A.	764	764	-	-	-	-	-	-	-	-	-	-	-	-
	160.963	246.679	58.590		1.155	720	13.952	279.302	46.658		(17.198)	(15.431)	11.932	-

In thousands of Reais, unless otherwise stated

										Consolidated
	Accounts receivable from customers (Note 6)		Current and Non-Current Assets		Suppliers (Note 14)		Dividends payable		Non-current liabilities	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Joint controlling shareholders										
Votorantim Geração de Energia S.A.	-	-	-	-	1.038	666	6.976	139.651	-	-
CPP Investments	-	-	-	-	-	-	6.976	139.651	-	-
Affiliated companies										
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	-	-	-	-	-	392	-	-	-	-
Votoratim S.A.	-	-	-	-	912	-	-	-	-	-
Votener - Votorantim Comercializadora de Energia Ltda.	10.558	8.537	-	-	2.770	2.348	-	-	-	-
Companhia Brasileira de Alumínio (i)	-	-	46.331	-	-	-	-	-	36.373	-
CBA Itapissuma (i)	-	-	12.259	-	-	-	-	-	10.285	-
Citrosuco S.A. Agroindústria (ii)	613	587	11.399	14.982	-	-	-	-	17.524	16.970
Nexa Recursos Minerais S.A.	-	-	-	3.482	-	-	-	-	-	-
Non-controlling shareholders	-	-	-	-	-	-	235.740	352.706	-	-
	11.171	9.124	69.989	18.464	4.720	3.406	249.692	632.008	64.182	16.970

						Consolidated
	Sales (Note 25)		Purchases and services		Financial income (Note 27)	
	2021	2020	2021	2020	2021	2020
Joint controlling shareholders						
Votorantim Geração de Energia S.A.	-	-	(13.979)	(11.268)	-	-
Affiliated companies						
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	-	-	-	(2.914)	-	-
Votoratim S.A.	-	-	(8.324)	(6.309)	-	-
Votener - Votorantim Comercializadora de Energia Ltda.	98.639	68.215	(30.341)	(2.495)	-	-
Companhia Brasileira de Alumínio (i)	-	-	-	-	9.958	-
CBA Itapissuma (i)	-	-	-	-	1.974	-
Citrosuco S.A. Agroindústria (ii)	10.533	4.296	-	-	(183)	1.924
	109.172	72.511	(52.644)	(22.986)	11.749	1.924

(i) Refer to the outstanding balances of the sale of interest in subsidiaries by VTRM to CBA, according to note 1.1.1 (f), which and are net of the adjustment to present value.

(ii) The outstanding balances, with the exception of accounts receivable, refer to the sale of interest in investees of Ventos de São Vicente Energias Renováveis ("São Vicente") mentioned in Note 1.1. (g) the individual and consolidated financial statements for the year ended December 31, 2020 and are net of the adjustment to present value.

In thousands of Reais, unless otherwise stated

23.1 Remuneration of key management personnel

The compensation for the Company's management, as of December 31, 2021, was R$ 2,701 (R$ 4,205 as of December 31, 2020), of which R$ 1,745 related to fixed and variable compensation (R$ 2,914 in the year ended in December 31, 2020) and R$ 956 referring to social charges (R$ 1,291 in the year ended December 31, 2021).

24 Net equity

(a) Capital stock

Represented exclusively by common shares classified in equity.

As of September 31, 2021, the Company's paid-in capital is R$ 3,000,836 (R$ 2,997,983 as of December 31, 2020), comprising 1,985,094,892 (1,985,094,888 as of December 31, 2020) common shares.

(b) Profit reserve

	Parent Company and Consolidated	
	2021	2020
Legal reserve (i)	63.365	60.428
Profit retention (ii)	1.798.576	1.477.424
	1.861.941	1.537.852

(i) The legal reserve is constituted by the appropriation of 5% of the net income for the fiscal year or the remaining balance, limited to 20% of the capital stock. Its purpose is to ensure the integrity of the sharepreserve capital. It may only be used to offset losses or increase capital. When If the Company presents a loss for the year, there will be no establishmentno appropriations are made to the of a legal reserve.

(ii) The balance of income that does not have compulsory allocation to other reserves and that is not allocated to the payment of dividends is allocated to the retained earnings account, provided for in the Company's bylaws (reserve for investments), which will have the purpose of ensuring to finance additional investments of fixed and working capital and expansion of its social activities and of its subsidiaries and affiliates, until such reserve reaches the amount equivalent to 80% (eighty percent) of the capital figure, in pursuant to article 196 of Law No. 6,404/76 and subsequent amendments.

(c) Profit distribution

Distributions are recognized as a liability in the financial statements at the end of the year, based on the bylaws.

Any amount above the mandatory minimum is only provisioned on the date of approval by the shareholders at the General Meeting. If the Company presents a loss for the year, there will be no distribution of dividends.

In thousands of Reais, unless otherwise stated

The Company and the wind power subsidiaries allocate 25% of net income as minimum mandatory dividends, after appropriations to the legal reserve. Subsidiary CESP's bylaws provide for the distribution of mandatory minimum dividends of 10% on the balance of capital stock, after appropriations to the legal reserve.

As per note 1.1.2 (g), the shareholders decided not to distribute dividends for the years ended in 2020 and 2019. Hence the balances provisioned in liabilities for dividends payable were reclassified to the profit retention reserve in net equity, in the amount of R$ 279,302.

For the year ended December 31, 2021, Management presents the proposal for the distribution of the annual dividend of R$ 13,952, provisioned in liabilities.

(d) Calculation

	Parent Company and Consolidated	
	2021	2020
Net profit for the year	58.739	624.809
(-) Legal reserve - 5%	(2.937)	(31.240)
Adjusted income for the year (Balance for distribution of dividends)	55.802	593.569
(-) Minimum mandatory dividends - 25% according to the bylaws	13.952	148.393
(=) Balance of retained earnings	13.952	148.393
(-) Profit retention	(41.850)	(445.176)
(=) Balance	-	-

(e) Earnings per share

	Parent company	
	2021	2020
Net profit for the year (a)	58.739	624.809
Number of shares, in lots of thousands (b)	1.985.095	1.985.095
Earnings per share (a/b)	0,0296	0,3148

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

(f) Dividend per share

	Parent company	
	2021	2020
Proposed dividends (a)	13.952	148.393
Number of shares, in lots of thousands (b)	1.985.095	1.985.095
Earnings per share (a/b)	0,0070	0,0748

In thousands of Reais, unless otherwise stated

(g) Equity valuation adjustment

The balance of other components of comprehensive income of R$ (405,374) as of December 31, 2021 (R$ (636,478) as of December 31, 2020) refers to the proportional reflection of the actuarial liability recognized based on in CPC 33 (R1) – Employee benefits and derivative financial instruments in subsidiary CESP.

	Parent company		Consolidated	
	2021	2020	2021	2020
Opening balance for the year	(636.478)	(207.128)	(1.379.728)	(309.052)
Reflective operating provision for Hedge accounting	24.914	(35.162)	62.276	(87.777)
Post-employment benefit adjustment for the year	207.820	(394.188)	519.474	(982.899)
Loss in investee interest	(1.630)	-	(3.345)	-
	231.104	(429.350)	578.405	(1.070.676)
End of year balance	(405.374)	(636.478)	(801.323)	(1.379.728)

25 Revenue

Accounting policy

Revenue is presented net of taxes, rebates and discounts, as well as the elimination of sales between subsidiaries and affiliates, in the consolidated.

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

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

The energy sales contracts of the Company's subsidiaries are carried out in the free and regulated Brazilian commercialization environment, being fully registered with the CCEE, the agent responsible for accounting and settlement of the entire national integrated system (SIN).

The accounting measurement of the volume of energy to be billed results from the processing of the physical measurement, adjusted to the apportionment of losses reported by the CCEE.

The accounting recognition of revenue results from the amounts to be billed to customers in accordance with the methodology and prices established in each contract, adjusted to the amounts of energy actually generated, when applicable. These adjustments result from the CCEE mechanism that verifies the net exposure of the Company's subsidiaries (sales, generation, purchases and consumption), named energy balance.

In thousands of Reais, unless otherwise stated

Electricity sales and services provided

Energy purchase and sale operations carried out by subsidiaries are recognized in the financial statements at fair value.

	Consolidated	
	2021	2020
Gross revenue		
ACR		
Reserve Energy Auction (LER)	87.629	87.689
New Energy Auction (LEN)	385.291	367.280
Provision for reimbursement (20 (c))	(192.724)	(91.598)
Energy Auctions - Energy distributors	522.038	498.445
Short term energy	72.489	55.296
	874.723	917.112
ACL		
Bilateral contracts	1.677.580	1.601.669
Trading operations	363.742	112.152
Related parties (Note 23)	109.172	68.215
Electric Energy Commercialization Chamber (CCEE)	22.670	18.066
	2.173.164	1.800.102
Energy sale	3.047.887	2.717.214
Derivative financial instruments	(114.905)	(116.295)
Carbon credit sale	17.028	-
Quota supply - Jaguari HPP	-	7.190
Other revenues	3.342	2.753
	(94.535)	(106.352)
	2.953.352	2.610.862
Deductions on the gross revenue		
COFINS on operating income	(219.680)	(187.801)
PIS on operating income	(47.124)	(40.198)
Financial Compensation for the Use of Water Resources - CFURH	(37.618)	(51.389)
Research and development - R&D	(15.706)	(15.098)
Quota for the global reversion reserve - RGR	(1.773)	(2.579)
Inspection Fee for Electricity Services - TFSEE	(7.180)	(6.656)
Service tax - ISS	(157)	(84)
	(329.238)	(303.805)
Net revenue	2.624.114	2.307.057

The Company's and its subsidiaries' revenues mostly are entirely in Reais and within the Brazilian domestic market.

In thousands of Reais, unless otherwise stated

26 Costs and expenses

						Parent company
			2021			2020
	General and Administrative Expenses	Other net operating revenues, net	Total	General and Administrative Expenses	Other net operating revenues, net	Total
Insurance indemnity	-	46.253	46.253	-	-	-
Third party services	(21.852)	(8.591)	(30.443)	(16.693)	-	(16.693)
Employee benefits	(3.878)	-	(3.878)	(3.039)	-	(3.039)
Taxes, fees and contributions	(152)	(4.278)	(4.430)	(18)	-	(18)
Administrators	(2.701)	-	(2.701)	(4.205)	-	(4.205)
Depreciation and amortization	(3.604)	-	(3.604)	(377)	-	(377)
Carbon credit sale	-	-	-	-	3.482	3482
Other expenses	(2.747)	(2.486)	(5.233)	(1.515)	(6)	(1.521)
	(34.934)	30.898	(4.036)	(25.847)	3.476	(22.371)

					Consolidated
					2021
	Electricity cost	Operation cost	General and Administrative Expenses	Other net operating revenues, net	Total
Purchased energy	(1.129.626)	-	-	-	(1.129.626)
Renegotiation of hydrological risk	781.974	-	-	-	781.974
Depreciation and amortization	-	(552.596)	(10.132)	3.733	(558.995)
Reversal of provision for litigation	-	-	-	425.693	425.693
Reversal (provision) for impairment	-	-	-	(248.520)	(248.520)
Electricity network charges	(199.109)	-	-	-	(199.109)
Third party services	-	(22.881)	(65.998)	(8.591)	(97.470)
Employee benefits	-	(23.835)	(61.003)	-	(84.838)
Write-off of court deposits	-	-	-	(60.256)	(60.256)
Operation and maintenance services - O&M	-	(51.407)	-	-	(51.407)
Insurance indemnity	-	-	-	46.253	46.253
Goodwill amortization	-	-	-	(34.959)	(34.959)
Materials, maintenance and conservation	-	(11.724)	(3.253)	-	(14.977)
Energy futures contracts	-	-	-	13.235	13.235
Administrators	-	-	(11.493)	-	(11.493)
Rentals and leases	-	(9.231)	(958)	-	(10.189)
Insurance	-	(4.972)	(4.390)	-	(9.362)
Taxes, fees and contributions	-	(1.199)	(3.578)	(4.278)	(9.055)
Reversal (provision) for social and environmental obligations	-	-	-	(7.607)	(7.607)
Other (expenses) and revenues, net	-	(4.831)	(7.792)	9.118	(3.505)
	(546.761)	(682.676)	(168.597)	133.821	(1.264.213)

In thousands of Reais, unless otherwise stated

					Consolidated
					2020
	Electricity cost	Operation cost	General and Administrative Expenses	Other net operating revenues, net	Total
Purchased energy	(609.489)	-	-	-	(609.489)
Depreciation and amortization	-	(522.896)	(8.844)	(77)	(531.817)
Reversal of provision for litigation	-	-	-	266.644	266.644
Reversal (provision) for impairment	-	-	-	7.589	7.589
Electricity network charges	(169.861)	-	-	-	(169.861)
Third party services	-	(12.617)	(47.331)	-	(59.948)
Employee benefits	-	(24.123)	(48.028)	-	(72.151)
Write-off of court deposits	-	-	-	(63.284)	(63.284)
Operation and maintenance services - O&M	-	(44.021)	-	-	(44.021)
Goodwill amortization	-	-	-	(34.848)	(34.848)
Materials, maintenance and conservation	-	(4.633)	(1.437)	-	(6.070)
PDV - Voluntary Dismissal Program	-	(3.578)	(11.420)	-	(14.998)
Energy futures contracts	-	-	-	(21.444)	(21.444)
Administrators	-	-	(12.970)	-	(12.970)
Rentals and leases	-	(7.867)	(1.643)	-	(9.510)
Insurance	-	(1.075)	(8.530)	-	(9.605)
Taxes, fees and contributions	-	2.737	(3.822)	-	(1.085)
Reversal (provision) for social and environmental obligations	-	-	-	(4.206)	(4.206)
Carbon credit sale	-	-	-	3.482	3.482
Other (expenses) and revenues, net	-	(10.353)	(7.029)	12.022	(5.360)
	(779.350)	(628.426)	(151.054)	165.878	(1.392.952)

27 Net financial income

Accounting policy

Financial revenues (expenses)

They comprise the amounts of interest on loans and financial investments, indexation and exchange variations and miscellaneous discounts that are recognized in income for the year on the accrual basis.

In thousands of Reais, unless otherwise stated

	Parent company		Consolidated	
	2021	2020	2021	2020
Financial revenues				
Earnings on financial investments	8.326	3.817	60.438	32.272
Adjustment to present value of the sale of investees	22.387	-	22.758	3.132
Monetary adjustment on judicial deposits	-	-	9.221	7.623
Monetary restatement on assets	-	-	2.639	1.223
Other financial revenues	136	46	23	54
	30.849	3.863	95.079	44.304
Financial expenses				
Interest paid on loans and financing	(1.464)	-	(254.894)	(227.464)
Monetary restatement on debentures	-	-	(200.852)	(60.054)
Monetary restatement on provisions for litigation	-	-	(167.516)	(315.757)
Update of post-employment benefit balance	-	-	(158.122)	(59.622)
Capitalization of interest on loans - CPC 20	-	-	28.413	-
Contract clause premium - debentures	-	-	(22.500)	-
Appropriation of funding costs	-	-	(13.739)	(26.333)
Write-off of court deposits	-	-	(14.929)	(23.652)
Adjustment to present value of the sale of investees	(10.455)	-	(11.009)	(1.208)
Adjustment to present value on social and environmental obligations and asset demobilization	-	-	(10.354)	(13.819)
Monetary adjustment on court settlements	-	-	(8.877)	(9.066)
Adjustment to present value on UBP	-	-	(5.631)	(6.791)
Monetary update on suppliers	(3.457)	(617)	(3.457)	(617)
PIS and COFINS on financial income	(393)	(5.347)	(1.606)	(6.516)
Other financial expenses, net	(556)	(51)	(17.053)	(15.811)
	(16.325)	(6.015)	(862.126)	(766.710)
	14.524	(2.152)	(767.047)	(722.406)

28 Financial instrument and risk management

28.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to various financial risks, namely: (a) credit risk, (b) liquidity risk, (c) hydrological and GSF risk, (d) regulatory risk, (e) socio-environmental risk and (f) non-performance risk of wind farms.

To mitigate the different effects of each risk factor, the Company and its subsidiaries, except for CESP, follow the Votorantim Financial Policy, approved by the Board of Directors of Votorantim S.A. ("VSA"), with the objective of establishing governance and its macro guidelines in the financial risk management process, as well as measurement and monitoring indicators. The subsidiary CESP follows a rule based on the VSA policy guidelines and adapted to its context.

The financial risk management process aims to preserve liquidity and protect cash flow and its operational (revenues and costs) and financial (financial assets and liabilities) components against adverse market events, such as currency price fluctuations and interest rates and against adverse credit events.

(a) Credit risk

Financial investments (cash allocation) create exposure to the credit risk of counterparties and issuers. The Company and its subsidiaries have a policy of working with issuers that have, at the least, been evaluated by two of the following rating agencies: Fitch Ratings, Moody's or Standard & Poor's. The minimum *rating* required for counterparties is "A" (on a local scale) or "BBB-" (on a global scale), or equivalent.

In thousands of Reais, unless otherwise stated

For financial assets whose issuers do not meet the minimum credit risk ratings described above, criteria approved by the Board of Directors of VSA and CESP are applied as an alternative.

The credit quality of financial assets is described in Note 5.3. The ratings disclosed in this note are always the most conservative of the agencies mentioned.

(b) Liquidity risk

Liquidity risk is managed in accordance with the Votorantim Financial Policy and, for CESP, according to a rule based on the VSA policy guidelines and adapted to its context, aiming to guarantee sufficient liquid resources to honor the financial commitments of the Company and its subsidiaries on time and at no additional cost. One of the main instruments for measuring and monitoring liquidity is the cash flow projection, observing a minimum period of 12 months of projection from the reference date.

Liquidity and indebtedness management adopts metrics compatible with investment grade companies provided by global risk rating agencies.

The following table analyzes the main financial liabilities of the Company and its subsidiaries, by maturity ranges, corresponding to the remaining period in the balance sheet until the contractual maturity date.

						Parent company
	Up to 1 year	Between 1 and 2 years	Between 3 and 5 years	From 5 years onward	Over 10 years	Total
As of December 31, 2021						
Loans and financing (i)	-	-	388.918	-	-	388.918
Suppliers	8.146	43.245	30.971	-	-	82.362
Leases (i)	31	-	-	-	-	31
	8.177	43.245	419.889	-	-	471.311

						Parent company
	Up to 1 year	Between 1 and 2 years	Between 3 and 5 years	From 5 years onward	Over 10 years	Total
As of December 31, 2020						
Suppliers	37.544	41.538	-	-	-	79.082
Leases (i)	92	33	-	-	-	125
	37.636	41.571	-	-	-	79.207

In thousands of Reais, unless otherwise stated

Consolidated

	Up to 1 year	Between 1 and 2 years	Between 3 and 5 years	From 5 years onward	Over 10 years	Total
As of December 31, 2021						
Loans and financing (i)	405.743	447.521	1.809.329	3.439.091	839.050	6.940.734
Suppliers	225.578	43.245	30.971	-	-	299.794
Energy futures contracts (i)	318.420	304.326	118.357	-	-	741.103
Leases (i)	1.825	3.312	828	-	-	5.965
Sector charges	20.170	-	-	-	-	20.170
UBP - Use of a public asset (i)	42.462	84.939	13.147	-	-	140.548
	1.014.198	883.343	1.972.632	3.439.091	839.050	8.148.314

Consolidated

	Up to 1 year	Between 1 and 2 years	Between 3 and 5 years	From 5 years onward	Over 10 years	Total
As of December 31, 2020						
Loans and financing (i)	296.083	378.932	1.227.068	2.864.344	545.237	5.311.664
Suppliers	147.934	41.538	-	-	-	189.472
Energy futures contracts (i)	132.764	32.403	-	-	-	165.167
Leases (i)	1.928	3.696	2.227	-	-	7.851
Sector charges	76.507	1.240	-	-	-	77.747
UBP - Use of a public asset (i)	41.307	78.280	48.360	-	-	167.947
	696.523	536.089	1.277.655	2.864.344	545.237	5.919.848

(i) The amounts included in the table are the undiscounted contractual cash flows.

(c) Hydrological risk and GSF

The electricity generation of subsidiary CESP depends directly on hydrological conditions, since its entire generating complex is hydroelectric. The main hydroelectric plant, HPP Porto Primavera, which represents 94% of its physical guarantee for sale, is in the Paraná River basin, in the western region of the State of São Paulo, and it operates on a run-of-river basis.

The Physical Guarantee of the system represents the maximum amount of energy that can be supplied in a permanent condition under a given supply guarantee criterion. The respective Physical Guarantee of each plant corresponds to the energy limit that it is authorized to sell through contracts.

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

When the sum of the generation of the plants that are part of the MRE is insufficient to meet the sum of the physical guarantees of these projects, a GSF - Generation Scaling Factor is below 1. This financially affects these plants by the ratio between their physical guarantee and the amount effectively generated, valued at PLD - Difference Settlement Price and settled monthly. Hence, the GSF may affect CESP's results and financial condition, as well as future cash flow generation.

On the other hand, when the generation of these plants exceeds the physical guarantees, MRE agents benefit from the so-called "secondary energy", which is also remunerated at the PLD.

(d) Regulatory risk

The activities of the subsidiaries are regulated and supervised by ANEEL. Any change in the regulatory environment may have an impact on the activities of the Company's subsidiaries.

(e) Socio-environmental risk

The Company and its subsidiaries are subject to numerous environmental laws, regulations, treaties and conventions, which determine the removal and cleaning of contamination from the environment, or relating to environmental protection. Violations of existing environmental regulations expose violators to substantial fines and monetary sanctions and may require technical measures or investments to ensure compliance with mandatory emission limits.

The Company periodically carries out surveys in order to identify potentially impacted areas and records, based on the best cost estimate, the estimated values for monitoring and preventing potentially impacted locations.

The Company and its subsidiaries consider that they are in compliance with all environmental standards applicable to their operations. risk of non-performance of wind farms

(f) Risk of non-performance of wind farms

The Company's subsidiaries have specific performance clauses in their wind power generation authorization contracts, which delimit a minimum generation throughout the year and four-year period, linked to the physical guarantee committed in the auctions in which these subsidiaries are traded. Wind farms are exposed to climatic factors, such factors can cause fluctuations in wind speed, thus generating the risk of non-compliance with what is determined in the contract and there is the possibility of compromising the future revenues of the Company's subsidiaries.

In thousands of Reais, unless otherwise stated

28.2 Effect of financial derivatives on the balance sheet, cash flow and income

Accounting policy

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

In 2019, the subsidiary CESP contracted a Non Deliverable Forward ("NDF") program in US dollars (sale of foreign currency), in the over-the-counter modality, with the objective of protecting up to 95% of the foreign exchange exposure until December 2021.

This exposure arises from energy sales contracts with an adjustment clause linked to the US dollar rate.

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

Consolidated

	Main value		Unit	Impact on operating result	other comprehensive income	Realized loss	Fair value		Fair value by maturity	
	2021	2020					2021	2020	2022	Total
Hedge of energy sales operations										
Non Deliverable Forward	11.000	122.000	ιousands of USD	(114.905)	94.358	(112.073)	(12.699)	(104.225)	(12.699)	(12.699)
	11.000	122.000		(114.905)	94.358	(112.073)	(12.699)	(104.225)	(12.699)	(12.699)

In thousands of Reais, unless otherwise stated

28.3 Fair value estimate

The main financial assets and liabilities are described below, as well as the assumptions for their valuation:

Financial assets - considering their nature and terms, the amounts recorded are close to the realizable values.

Financial liabilities - subject to interest at usual market rates. Market value was calculated based on the present value of future cash disbursements, using interest rates currently available for issuing debt with similar maturities and terms.

Energy futures contracts - The fair value of these financial instruments is estimated based, in part, on published price quotations in active markets, to the extent that such observable market data exist, and, in part, by using valuation techniques , which consider: (i) prices established in the purchase and sale operations and (ii) risk margin in the supply. Whenever the fair value at initial recognition for these contracts differs from the transaction price, a fair value gain or loss is recognized under Other operating income (expenses), net.

The Company and its subsidiaries disclose fair value measurements at the level of the following fair value measurement hierarchy:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets and liabilities;
Level 2 - Information, in addition to quoted prices, included in Level 1 that are adopted by the market for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3 - Inputs for assets or liabilities that are not based on data adopted by the market (unobservable inputs).

As at December 31, 2021, financial assets and liabilities measured at fair value and classified in levels 1 and 2. The values would be according to the table below:

Parent company

		Fair value measured based on					
		Level 1		Level 2		Book value	
	Note:	2021	2020	2021	2020	2021	2020
Assets							
Cash and cash equivalents	5	383.095	101.656	-	-	383.095	101.656
		383.095	101.656	-	-	383.095	101.656
Liabilities		-	-	312.965	-	299.674	-
Loans and financing	13	-	-	312.965	-	299.674	-

Consolidated

		Fair value measured based on					
		Level 1		Level 2		Book value	
	Note:	2021	2020	2021	2020	2021	2020
Assets							
Cash equivalents	5	1.571.298	1.084.244	-	-	1.571.298	1.084.244
Financial investments	5.1	77.751	-	-	-	77.751	-
Liquidity fund - Reserve account	5.2	106.201	83.035	-	-	106.201	83.035
Energy futures contracts	16	-	-	612.107	128.436	612.107	128.436
		1.755.250	1.167.279	612.107	128.436	2.367.357	1.295.715
Liabilities							
Loans and financing	13	-	-	4.237.967	3.847.109	4.710.874	3.749.688
Derivative financial instruments	28.2	-	-	12.699	104.225	12.699	104.225
Energy futures contracts	16	-	-	620.316	149.880	620.316	149.880
		-	-	4.870.982	4.101.214	5.343.889	4.003.793

In thousands of Reais, unless otherwise stated

28.4 Sensitivity analysis

The main risk factors that impact the pricing of financial instruments in cash equivalents, loans and financing and derivative financial instruments are (i) exposure to the fluctuation of the US dollar and (ii) interest rates CDI, TJLP, IPCA and US dollar coupon and (iii) the price exposure of the electricity purchase and sale agreements. Scenarios for these factors are developed using market sources and specialist sources.

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

Scenario I - Stressing the yield curves and market quotations as of December 31, 2021, according to the base scenario defined by Management for March 31, 2022;

Scenario II - Stressing by + or - 25% in the market curves as of December 31, 2021;

Scenario III - Stressing by + or - 50% in the market curves of December 31, 2021.

									Parent company
									Impacts on the income
					Scenario I				Scenarios II & III
	Nature of the operation	Balance	Unit	Shock on the curves of 12/31/2021	Results scenario I	-25%	-50%	+25%	+50%
Interest rates									
BRL-CDI 9.15%	Cash equivalents	383.095	BRL thousands	191 bps*	7.310	(8.763)	(17.527)	8.763	17.527
BRL-CDI 9.15%	Loans and financing (i)	301.464	BRL thousands	191 bps*	(5.752)	6.896	13.792	(6.896)	(13.792)

									Consolidated
					Scenario I				Scenarios II & III
Risk factors	Nature of the operation	Balance	Unit	Shock on the curves of 12/31/2021	Results scenario I	-25%	-50%	+25%	+50%
Interest rates									
CDI 9.15%	Cash equivalents, financial investments and liquidity fund – reserve account	1.755.250	BRL thousands	191 bps*	33.491	(40.151)	(80.303)	40.151	80.303
CDI 9.15%	Loans and financing (i)	602.579	BRL thousands	191 bps*	(11.498)	13.784	27.568	(13.784)	(27.568)
CDI 9.15%	Principal of derivative financial instruments (i)	61.386	BRL thousands	191 bps*		(1)	(2)	1	2
TJLP 5.32%	ıs and financing (i)	1.628.905	BRL thousands	44 bps*	(7.167)	21.664	43.329	(21.664)	(43.329)
IPCA 10.06%	ıs and financing (i)	2.624.609	BRL thousands	-456 bps*	119.682	66.009	132.018	(66.009)	(132.018)
Exchange									
USD	Principal of derivative financial instruments (i)	11.000	USD thousands	-1,44%	880	15.341	30.682	(15.341)	(30.682)
Energy futures contracts									
Purchase and sale contracts - fair value	y futures contracts	8.209	BRL thousands		(8.209)	(22.178)	(36.148)	5.761	19.731

** bps - basis points*

(i) The balances presented do not agree with the Note disclosures for derivatives, as the analysis carried out only considered the scenarios of interest rates on the principal amount of financial operations. Loans and financing do not include funding costs.

28.5 Financial instruments by category

Accounting policy

Normal purchases and sales of financial assets are recognized on the trade date, that is, the date on which the Company and its subsidiaries commit to buy or sell the asset. Financial assets are initially recognized at fair value, plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets measured at fair value through profit or loss, if any, are initially recognized at fair value, and transaction costs are charged to the income statement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company and its subsidiaries have transferred substantially all the risks and benefits of ownership. Financial assets at fair value through profit or loss are subsequently accounted for at fair value. Loans and receivables are accounted for at amortized cost, using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented in the income statement under "Financial income, net" in the year in which they occur. Gains or losses arising from changes in the fair value of financial assets classified at fair value through other comprehensive income are recognized in equity, under "Carrying value adjustments" in the year in which they occur.

The Company and its subsidiaries classify their financial assets under the following categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the company's financial assets on initial recognition.

The Company and its subsidiaries classify their financial instruments according to the purpose for which they were acquired and determine their classification on initial recognition, according to the following categories:

(i) Amortized cost

Financial instruments held in a business model whose objective is to obtain contractual cash flows and their contractual terms give rise to cash flows that are exclusively the payment of principal and interest. Instruments in this classification are measured at amortized cost.

(ii) Fair value through profit or loss

Characterized by their active and frequent trading in the financial markets. These instruments are measured at fair value, and their variations are recognized in profit or loss for the year.

(iii) Fair value through other comprehensive income

Financial instruments that meet the criteria of contractual terms, that give rise to cash flows that are exclusively the payment of principal and interest and that are maintained in a business model, the objective of which is achieved both by obtaining contractual cash flows and by selling of the financial asset. Instruments in this classification are measured at fair value through other comprehensive income, when applicable.

In thousands of Reais, unless otherwise stated

The financial instruments by category are shown below:

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Assets					
At amortized cost					
Cash equivalents (i)	5	383.149	101.711	1.571.298	1.084.244
Financial investments	5.1	-	-	77.751	-
Liquidity fund - Reserve account	5.2	-	-	106.201	83.035
Accounts receivable from customers (i)	6	-	-	328.631	384.390
Asset subject to indemnification	9	-	-	1.739.161	1.739.161
		383.149	101.711	3.823.042	3.290.830
At fair value through profit or loss					
Energy futures contracts		-	-	612.107	128.436
		-	-	612.107	128.436
		383.149	101.711	4.435.149	3.419.266
Liabilities					
At amortized cost					
Loans and financing	13	-	-	4.710.874	3.749.688
Suppliers	14	82.362	79.082	299.794	189.472
Leases		31	118	5.498	6.607
		82.393	79.200	5.016.166	3.945.767
At fair value through profit or loss					
Energy futures contracts		-	-	620.316	149.880
		-	-	620.316	149.880
At fair value through other comprehensive income					
Derivative financial instruments	28.2	-	-	12.699	104.225
		-	-	12.699	104.225
		82.393	79.200	5.649.181	4.199.872

(i) In practice, fair value and amortized cost are equivalent, considering, by definition, the characteristics of cash equivalents.

29 Insurance

The Company and its subsidiaries maintain General Civil Liability (RCG), Civil Liability of executives and directors (D&O) insurance policies, in addition to Property Risk insurance coverage, with the coverage, indemnity limits and duration periods indicated. in the table below. Such policies have coverage, conditions and limits, considered by Management to be adequate for the inherent risks of the operation (unaudited).

Mode	Main coverages	Maximum limit indemnity (LMI) - BRL Thousand	Due date
Equity	Property Damage and Business Interruption	961.000	until May/2023
RCG	RC Operations, Employer, Sudden Pollution, Pain and Suffering, among	65.000	until Dec/2022
D&O	Compensation to Administrators Reimbursement to the Borrower, amor	130.000	until April/2022

The total premium paid by the Company and its subsidiaries for contracting the insurance is approximately R$11,404.

30 Long term commitments

The Company's subsidiaries have future commitments signed with the lessors of the land where the wind turbines of their wind complex were erected, the main assumption is a percentage of the net revenue of the parks to be paid, prorated proportionally to the area of the land belonging to each lessor, such lease commitment is linked to these projects until the end of the authorizations issued by ANEEL, these authorizations extend between the years 2049, 2050 and 2051, as shown in Note 1 – General considerations.

The Company and its subsidiaries that will form the future Piauí II and III wind farm have a medium-term plan to invest approximately R$2 billion in the construction of new wind farms, for which commitments have already been made to suppliers related to the civil works in the parks, acquisition of wind turbines, transmission lines and medium voltage network and substations, which will meet the demand that will be generated by the parks. Maturities vary from contract to contract, with the longest expiring in November 2022.

The subsidiary CESP has long-term future commitments linked to the concession, with a term until April 2056, in the estimated amount of R$10.4 billion, mainly related to: (i) Inspection Fee for Electric Energy Services (TFSEE); (ii) Financial Compensation for the Use of Water Resources (CFURH); (iii) charges for using the electricity grid; (iv) connection charges; and (v) power purchase agreements.

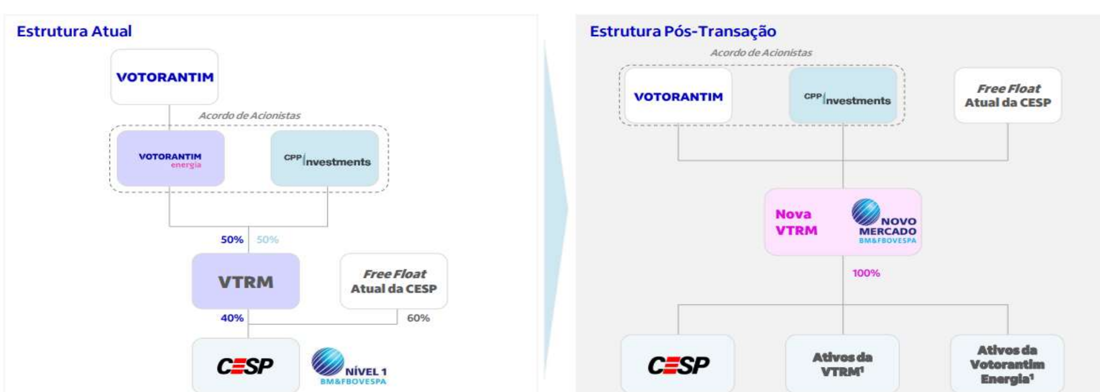
31 Subsequent events

31.1 Corporate restructuring resulting from the VTRM and CESP Operations:

As mentioned in item 1.1.1 (g), Votorantim S.A. and CPP Investments announced their intention to consolidate energy assets in Brazil, with shares listed on B3's Novo Mercado.

As part of the restructuring process, the companies of the Votorantim group: CBA, Votorantim Cimentos and Nexa Resources took over the management of their energy production assets that were previously managed by Votorantim Energia.

The following is an illustrative table of how this corporate restructuring transaction took place:



The consolidation place through two main steps, which we detail in the following topics.

In thousands of Reais, unless otherwise stated

VTRM Operation:

a) VGE reverse merge

On February 3, 2022, VTRM reverse-merged VGE and now holds the following assets after the merger:

(i) Interest of 50% in the capital stock of Pinheiro Machado, whose generation assets include HPP Machadinho, corresponding to 100% of its preferred shares;

(ii) Interest of 66.6667% in the capital stock of CBA Energia, whose generation assets include HPP Campos Novos and HPP Barra Grande, corresponding to 100% of its preferred shares;

(iii) Interest of 66.6667% in the share capital of Pollarix, whose generation assets include HPP Amador Aguiar I and II (Consórcio Capim Branco), HPP Picada, HPP Igarapava (Consórcio Igarapava) and HPP Campos Novos, corresponding to 100% of the preferred shares of its issuance;

(iv) 100% interest in Votener's capital stock, corresponding to 16,438,442 shares issued.

As a result of this reverse merger, the 992,547,439 shares issued by VTRM and owned by VGE were canceled and replaced by an equal number of VTRM shares and attributed to VSA, as the sole shareholder of VGE. In addition, as a result of the assets merged into VTRM, 612,874,904 new VTRM common shares were issued, also attributed to VSA ("New VTRM Shares").

The economic value attributed (*equity value*) to VGE's Assets (excluding the value of the interest held by VGE in VTRM) was approximately R$2.7 billion, which corresponded to an increase in VTRM's capital stock of R$1, 2 billion, corresponding to the value of the merged assets on the valuation base date, and R$ 1.5 billion, which was recorded as a capital reserve and whose values were based on an appraisal report on the fair value of the merged assets issued by an independent advisor.

A summary of the amounts involved in the reverse merger and fair value of the assets held by VGE is as below:

Reverse merge	Value
Remaining VGE Assets	1.262.087
Remaining liabilities of VGE	(67.081)
Economic fair value of VGE	1.503.475
	2.698.481

b) Capital contribution by CPP Investments

On February 3, 2022, VTRM's capital stock was increased by R$1.5 billion, with the issuance of 365,803,013 new shares, fully subscribed by CPP Investments, paid up in Brazilian Reais.

Following the implementation of the VTRM Transaction, VSA and CPP Investments now hold equity interests of approximately 54.2% and 45.8% in the share capital of VTRM, respectively.

CESP Operation:

a) VTRM Register as public company and Listing Process on the Novo Mercado market

On February 25, 2022, the Company was registered as a publicly-held company category "A" with the Brazilian Securities and Exchange Commission ("CVM" and "Abertura de Capital") and was granted the request for listing with B3 S.A. – Brasil, Bolsa, Balcão ("B3"), with the admission of its shares to trading on the special New Market segment ("Novo Mercado Listing"). Listing on the Company's Novo Mercado is subject to the election of independent directors and members of the Audit Committee of VTRM and the implementation of the Merger of CESP's Shares.

b) Proposal for the merger of CESP's Shares into VTRM

Subsequent to the IPO from VTRM, and in order to allow CESP's minority shareholders to participate in the "New VTRM", a proposal was presented for the merger of shares, with the merger of all the shares issued by CESP by VTRM, and consequent attribution, to the other shareholders of CESP, of these new shares.

On October 21, 2021, the Board of Directors of the subsidiary CESP approved the creation of a special independent Committee of the subsidiary CESP ("Committee") which, in compliance with the guidelines provided for in the Guidance Opinion of the Securities Commission No. 35 shall serve to negotiate the corporate restructuring transaction proposed in a non-binding manner by VSA. and by CPP Investment for the merger of all the shares issued by the subsidiary CESP into VTRM.

The Committee was composed of: (a) a director chosen by a majority of the board of directors; (b) a director elected by the non-controlling shareholders; and (c) a third party, administrator or not, chosen jointly by the other two members, and the Committee has the following members:

The Committee concluded, together with VTRM's management, the negotiations of the exchange ratio of shares issued by CESP for shares issued by VTRM within the scope of the merger of shares of CESP ("Exchange Ratio"), and submitted, on January 7, 2022, to the Board of Directors of CESP the recommendation that was unanimously agreed by the members of the Committee for the replacement ratio.

The replacement ratio was freely negotiated between VTRM's management and the Committee and included the following assumptions:

(i) the equity value attributed to VGE's assets to be contributed to VTRM — excluding the value of the interest held by VGE in VTRM — was approximately R$ 2.8 billion;

(ii) the cash resources to be contributed by CPP Investments to VTRM amounted to R$ 1.5 billion;

(iii) the equity value attributed to VTRM — without considering the interest held by VTRM in CESP and the effects of the transaction — was approximately R$ 4.5 billion;

(iv) the equity value attributed to the subsidiary CESP was approximately R$9.1 billion, equivalent to approximately R$27.93 per share (regardless of class or type and disregarding treasury shares);

(v) to determine the economic value indicated above, the base date of December 31, 2021 was considered and the discounted cash flow methodology was used; and

(vi) the value of redemption of preferred shares redeemable within the scope of the merger of shares of CESP, in the amount per share of the Company of R$ 0.40 and in the total amount of approximately R$ 78.5 million, considers the estimate of the amounts of taxes to be paid be retained by VTRM from non-resident investors as a result of the transaction.

In thousands of Reais, unless otherwise stated

Assuming the above assumptions and considering the Exchange Ratio approved by the Committee and the Board of Directors of CESP, on the effective date of the merger of shares, the non-controlling shareholders will receive, for each 1 share issued by the subsidiary CESP held by them, regardless of species or class:

(i) 6.567904669174 new common, nominative, book VTRM shares with no par value; and

(ii) 0.095425888495 new common, nominative, book VTRM shares with no par value, compulsorily redeemable.

As the corporate reorganization contemplates the delivery, to the shareholders of subsidiary CESP, of VTRM's compulsorily redeemable preferred shares, based on the exchange ratio and considering the aforementioned in the total amount of approximately R$ 78.5 million, VTRM will have the following final corporate structure (subject to confirmation due to the exercise of the right of withdrawal granted to non-controlling shareholders of CESP who do not agree with the terms of this merger of shares of CESP):

Shareholders	Number of shares	Interest
VSA	1.605.422.350	37,74%
CPP Investments	1.358.350.459	31,93%
Other shareholders	1.289.736.569	30,32%
Total	4.253.509.378	100,00%

On February 15, 2022, an Extraordinary General Meeting of the subsidiary CESP ("AGE") was held, and the merger of all shares issued by CESP by its parent company VTRM was approved, excluding the shares held by VTRM, that are in CESP's treasury or that are the object of the exercise of the right of withdrawal by CESP's shareholders ("Merger of Shares"), in the context of the corporate restructuring.

The Merger of Shares is carried out under the terms of the "Private Instrument of Protocol and Justification of Merger of Shares of CESP - Companhia Energética de São Paulo by VTRM Energia Participações S.A." ("Protocol and Justification"), entered into between CESP and VTRM.

With the implementation of the Merger of Shares, CESP become a wholly-owned subsidiary of VTRM, with all the shares issued by it held by VTRM, and the Company's shareholders receive, in exchange for the merged shares issued by the Company held by them, as described above, new redeemable common and preferred shares issued by VTRM, and the redeemable preferred shares will be compulsory and immediately redeemed on the Closing Date (March 25, 2022), with cash payment to shareholders on a date to be communicated in a specific notice ("Redemption") .

c) Grouping of shares

At the Board of Directors' Meeting held on March 23, 2022, the split of VTRM shares was ratified, one of the suspensive conditions provided for under the Protocol and Justification, proposed at the EGM held on February 15, 2022, so that each 4.253509378 VTRM shares were grouped into 1 share, without changing VTRM's share capital. As a result, VTRM's capital stock now comprises 696,782,949 common, registered, book-entry shares with no par value. As a result, instead of the amount mentioned in the previous item, CESP's non-controlling shareholders receive for each 1 share issued by the subsidiary CESP they own, regardless of the type or class:

(i) 1.544114302635 new common, nominative, book-entry shares with no par value of VTRM;

(ii) 0.022434625149 new preferred, nominative, book-entry shares with no par value of VTRM, compulsorily redeemable.

d) Redemption of CESP Preferred Shares and right of withdrawal by non-controlling shareholders

VTRM will, against the capital reserve account, carry out the automatic and compulsory redemption of all CESP's redeemable preferred shares, with payment in cash, immediately after their issuance. Once redeemed, against VTRM's capital reserve account.

Considering that the proposed exchange ratio has already been defined, and approved at an extraordinary general meeting of subsidiary CESP regarding the merger of shares of CESP by VTRM, CESP's shareholders who have not approved the Merger of Shares, either by rejection, abstention or non-attendance at the EGM, shall have the right to withdraw from the Company, pursuant to articles 137, 252, § 2 and 264, § 3, of the Corporation Law

Shareholders were able exercise the right of withdrawal in relation to all or part of the shares issued by CESP, of which they were demonstrably holders, under penalty of forfeiture, within 30 days, counted from the publication of the minutes of the EGM, i.e. until March 18, 2022. At the end of this 30-day period, the Company found that no shareholder exercised the right of withdrawal and, consequently, no amount will be paid by the Company as reimbursement.

As a result, the implementation of certain suspensive conditions remains pending for the completion of the Merger of Shares, including, among other usual conditions for this type of transaction: (i) admission of its shares to trading on the Novo Mercado section, conditioned to the implementation of the redemption of the new preferred shares issued by VTRM.

31.2 Sale of interest in VTRM wind parks to Votorantim Cimentos S.A. "Cimentos"

On March 4, 2022, after complying with the conditions precedent set out in the share sale agreement signed on December 28, 2020, VTRM concluded via the Shareholders' Agreement ("AA") with the company Cimentos, the sale of the interest in investee Ventos de Santo Ângelo, in the percentage of 49%, for the total amount of R$ 44,360.

The balance receivable due to the sale of shares will be received in 4 annual installments as of January 2023, and the balance payable for the future purchase option will be settled in a single installment.

BOARD OF DIRECTORS STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

In compliance to the requirement of the article 25 (line V e VI) from the CVM Instruction 480/09, the members of board of directors from VTRM Energia Participações S.A. declare that:

(i) reviewed, discussed, and agreed with the Company's financial statements of December 31, 2021;

(ii) reviewed, discussed, and agreed with the opinions expressed in PricewaterhouseCoopers Auditores Independentes's report, about the Company's financial statements of December 31, 2021.

____
Fabio Rogerio Zanfelice

____
Cesar Augusto Conservani

____
Frederico Ferreira Sarmento