Financial Statements

2019

eneva

Independent Auditors' report on the individual and consolidated financial statements

(A free translation of the original report in Portuguese, prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards - IFRS)

To the Shareholders and Management of Eneva S.A.

Rio de Janeiro – RJ

Opinion

We have audited the individual and consolidated financial statements of Eneva S.A. ("The Company"), respectively referred to as parent company and consolidated financial statements, which comprise the balance sheet as at December 31, 2019, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of Eneva S.A. as of December 31, 2019, and its financial performance and its cash flows for the year then ended, in accordance with Brazilian accounting practices.

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eneva S.A., as of December 31, 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements" section of our report. We are independent of the Company and its subsidiaries, in accordance with relevant ethical requirements are set forth on the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and on the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters which, in our professional judgment, were the most significant in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable value of property, plant and equipment and intangible assets

According to notes 13, 14 and 15 to the individual and consolidated financial statements

Significant audit matter	How our audit addressed this matter
The Company and its subsidiaries are annually required to carry out goodwill impairment testing for expectation of future profitability originated on the acquisition of subsidiaries operating in the thermal power plants on natural gas, classified as intangible assets. In addition, it is evaluated whether there is any trigger of impairment loss or reversal of recognized losses in prior years, for the other non-financial assets operating in the segments of thermal power plants on coal, natural gas, as well as for the upstream segment, and for investments in subsidiaries. The assessment of the recoverable value of the cash generating units (CGUs) of the Company and its subsidiaries, in which such assets were allocated, involves significant judgment used in the forecasts of future cash flows, including the expected demand of use regarding the thermal power plants, the energy sales prices expected in the regulated environment, expenditures and costs related to the maintenance of equipment and inputs, and discount rates. This matter has been addressed as significant in our audit due to the complex judgment and high level of subjectivity involved in the forecasts of cash flows and determination of other significant assumptions prepared by the Company, which whether changed, might result in amounts substantially different from those used in the preparation of these individual and consolidated financial statements.	Our audit procedures in this area included, mainly, the following aspects: We evaluated the design of key internal controls related to the process of determining the recoverable value of the cash Generating Units (CGUs) of the Company and its subsidiaries. Evaluation of the policy for approving budgets and determining assumptions used and forecasts of cash flows by the Management of the Company and its subsidiaries. With the assistance of our specialists in corporate finance, we assessed the methodologies and main assumptions used in forecasts such as the expected demand of use regarding the thermal power plants, the energy sales prices expected in the regulated environment, expenditures and costs related to the maintenance of equipment and inputs, growth and discount rates, including the consistency of and adherence to those assumptions to the usual market practices, and recalculated the determination of recoverable values. In addition, we carried out the arithmetic check of the recoverable values determination, comparing those values with the financial statements and managerial reports prepared by Management. We also evaluated whether the disclosures related to the individual and consolidated financial statements on the impairment of assets testing are appropriate. During our audit we identified adjustments that affected the measurement and disclosure of the impairment of assets testing which were recognized and disclosed by Management. According to the procedures performed and evidence obtained by applying the procedures summarized above, we considered that the carrying amounts of property, plant and equipment, intangible assets, and related disclosures, in the

	context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2019 are acceptable.
Recoverable value of deferred tax assets	
According to note 12 to the individual and consolidated financial statements	
Significant audit matter	**How our audit addressed this matter**
The Company and its subsidiaries have deferred tax asset related to tax loss and negative basis of social contribution and temporary differences, which were recognized based on studies including forecasts used to provide a basis for the availability of future taxable profit. The forecasts of future results arising from those studies include significant assumptions, mainly related to the estimated energy sales amounts and prices, expenditures for maintaining equipment and inputs, and other related costs, as well as the forecast economic growth for the industry and capital investments. This matter has been addressed as significant in our audit due to the complex judgment and high level of subjectivity involved in the forecasts prepared by the Company, which, should they change, might result in amounts substantially different from those used in the preparation of these individual and consolidated financial statements.	Our audit procedures in this area included, mainly, the following aspects: We evaluated the design of key internal controls related to the process of determining the balances of deferred tax assets. We obtained an understanding of the process of preparation of the future taxable profit forecasts prepared by the Company, including the evaluation of the policy for approving budgets and determining assumptions used and forecasts of cash flows by the Management of the Company and its subsidiaries. With the assistance of our specialists in corporate finance, we evaluated the main assumptions used in the preparation of the cash flow forecasts that support the amount of future taxable profit, such as the estimated energy sales amounts and prices, expenditures for maintaining equipment and inputs and other related costs, and the forecast economic growth for the industry and capital investments, assessing the reasonableness, consistency and adherence to the usual market practices for the methodologies and judgments used in determining forecasts. We also evaluated the sensitivity analysis in the forecast of revenue and costs, by comparing them with the expected result for the future taxable profit and recalculating the limit of the amount to be recorded as deferred tax assets of the Company and its subsidiaries. In addition, we carried out the arithmetic check of the amounts determined based on future cash flows and forecast results, comparing those values with the financial statements and reports prepared by Management. We also evaluated whether the disclosures related to the individual and consolidated financial statements on deferred tax assets are appropriate. During our audit we identified adjustments that affected the measurement and disclosure of deferred tax assets which were fully recognized and disclosed by Management.

	According to the procedures performed and evidence obtained by applying the procedures summarized above, we considered that the carrying amounts of deferred tax assets, and related disclosures, in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2019, are acceptable.

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's Management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the individual and consolidated financial statements taken as a whole.

Other Information

Management is responsible for the other information comprising the management report.

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

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

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect 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 individual 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 or misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause to the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a compatible manner with the objective of a true and fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion 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 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 individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report, because the adverse consequences of doing so would reasonably be perceived to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 23, 2020

KPMG Auditores Independentes
CRC SP-0144/O-6 F-RJ

(Original report in Portuguese signed by)

Luis Claudio França de Araújo
Accountant CRC RJ-091559/O-4

1- ECONOMICAL AND FINANCIAL HIGHLIGHTS

Eneva S.A. presents the corresponding Financial Statements, prepared in accordance with the International Financial Reporting Standards – IFRS. These statements were reviewed and approved by the Board of Directors and Executive Board on March 23, 2020.

Consolidated Statement of Operations			(R$ million)
	2019	2018	%
Net Operating Revenues	**3,137.4**	**3,301.1**	**-5.0%**
Operating Costs	(1,899.2)	(2,012.4)	-5.6%
Depreciation and amortization	(414.1)	(414.0)	0.0%
Operating Expenses	(373.5)	(333.3)	12.1%
PCLD - Provision For Doubtful Debts + Dry Wells[1]	(37.0)	(38.2)	-3.1%
Depreciation and amortization	(75.9)	(52.1)	45.7%
EBITDA (w/PCLD and Dry Wells)	**1,391.7**	**1,459.8**	**-4.7%**
Other revenue/expenses	101.1	197.1	-48.7%
Net Financial Result	(410.2)	(541.0)	-24.2%
Equity Income	0.9	0.6	43.0%
EBT	**556.5**	**612.1**	**-9.1%**
Current and deferred taxes	42.6	274.5	-84.5%
Minority Interest	(1.7)	0.4	N/A
Net Income Eneva	**600.8**	**886.2**	**-32.2%**
Net Debt (R$ Billion)	**3.9**	**3.8**	**1.9%**
Investment (R$ Million)	**1,019.2**	**228.3**	**346.4%**
Workforce - Employees	**907**	**842**	**7.7%**
Workforce - Outsourced	**2,616.0**	**759.0**	**244.7%**

[1] Reclassification of Provision For Doubtful Debts (PCLD) + Dry Well costs from Operational Costs to Operating Expenses as of 1Q18.

The consolidated net revenue for 2019 amounted to R$ 3,137 million, presenting a 5% decrease in relation to the previous year (R$ 3,301 million).

The consolidated operating costs also presented a 6% decrease when compared to 2018, amounting to R$ 1,899 million. The operating expenses reached R$ 374 million, compared to R$ 333 million verified in the previous year, before the Company's growth.

The consolidated EBITDA, less the expenses with dry wells, reached R$ 1,392 million in 2019, compared to R$ 1,460 million verified in the previous years.

The decrease in the net revenue was mainly driven by the fall in the international prices of coal (CIF-ARA) and gas (Henry Pub), indexers of the variable revenues of the plants of Itaqui, Pecém II and Parnaíba I. On the other hand, it is worth highlighting the increase of the fixed margins in the generation segments, which compensated the decrease of the variable margins and the increase of the operating expenses.

At the end of December 2019, the consolidated net debt/EBITDA ratio of the last 12 months was of 2.8 times.

Operating Data					
		4Q19	4Q18	2019	2018
Itaqui	Availability (%)	99%	100%	99%	91%
	Dispatch (%)	97%	35%	46%	42%
	Net generation (GWh)	668	247	1,277	1,027
	Gross Generation (GWh)	755	279	1,442	1,163
Pecém II[1]	Availability (%)	86%	92%	81%	96%
	Dispatch (%)	98%	45%	70%	67%
	Net generation (GWh)	605	278	1,463	1,796
	Gross Generation (GWh)	674	311	1,635	2,014
Parnaíba I	Availability (%)	94%	99%	98%	96%
	Dispatch (%)	98%	28%	45%	45%
	Net generation (GWh)	1,328	373	2,456	2,417
	Gross Generation (GWh)	1,375	387	2,544	2,512
Parnaíba II	Availability (%)	95%	98%	97%	93%
	Dispatch (%)	100%	66%	64%	61%
	Net generation (GWh)	1,023	672	2,617	2,495
	Gross Generation (GWh)	1,074	707	2,748	2,628
Parnaíba III	Availability (%)	95%	100%	98%	97%
	Dispatch (%)	82%	28%	27%	37%
	Net generation (GWh)	295	102	382	536

	Gross Generation (GWh)	304	106	393	556
Parnaíba IV	Availability (%)	90%	97%	96%	92%
	Dispatch (%)	98%	66%	45%	55%
	Net generation (GWh)	102	74	193	212
	Gross Generation (GWh)	107	77	202	222
Upstream	**Upstream - Parnaíba Basin**				
	Dispatch UTG (%)	91%	38%	46%	46%
	Production (Bi m³)	0.70	0.29	1.41	1.41
	Remaining reserves (Bi m³)	24.1	21.4	24.1	21.4

[1] From August 10, Pecém II TPP started the major overhaul, ending in October.

CONSOLIDATED FINANCE INCOME/COSTS

Net Financial Result (R$ million)			(R$ million)
	2019	**2018**	**%**
Financial Revenues	**125.4**	**115.8**	**8.3%**
Income from financial investments	96.0	66.3	44.8%
Fines and interest earned	4.7	19.9	-76.2%
Interest on debentures	-	11.6	N/A
Others	24.7	18.1	36.5%
Financial Expenses	**(535.6)**	**(656.9)**	**-18.5%**
Fines and interest	(3.1)	(27.8)	-88.9%
Debt charges	(272.3)	(452.0)	-39.7%
Interest on provisions for abandonment	(6.9)	(5.9)	16.1%
Fees and emoluments	(2.4)	(30.2)	-92.0%
IOF/IOC	(4.0)	(4.5)	-11.2%
Debentures Cost	(205.6)	(72.5)	183.8%
Others	(33.3)	(42.1)	-20.9%
Exchange and monetary variation	(19.3)	(20.4)	-5.1%
Losses/gains on derivatives	11.4	(1.5)	N/A

In 2019, ENEVA recorded a negative net finance costs of R$ 410 million, against an also negative result of R$ 541 million at the same period of last year.

The result was impacted not only by the drop in the indexes that correct the Company's financing contracts and debentures, but also by the refinancing of debts with a higher cost. In the first half of 2019, the Company raised R$ 2.0 billion through the issuance of simple debentures, with an average cost of CDI + 1.2% per annum. The raised funds were mostly intended for the early settlement of the remaining balance of the debt of the judicial recovery plan, whose cost was CDI + 2.8% p.a.. The debt’s average cost decreased from 9.5% in the last quarter of 2018 to 8.2% in the same period of 2019.

The balance of consolidated net debt at the end of 2019 was R$ 3.9 billion, compared to the R$ 3.8 billion recorded in December 2018.

INVESTMENT

The investment in 2019 amounted to R$ 1,056 million, which is 296% higher than the amount invested in 2018. The investment growth was mainly driven by the construction of the plant Parnaíba V and by the integrated project Azulão-Jaguatirica, which together demanded R$ 665 million in investments in 2019. Also noteworthy is the completion of the major overhaul in Pecém II, concluded in the last quarter, which required R$ 33 million, and the inspection and maintenance of the hot gas path of Parnaíba I and III, which required R$ 85 million.

Capex					**(R$ million)**
	1Q19	**2Q19**	**3Q19**	**4Q19**	**2019**
Coal Generation	**4.5**	**11.2**	**34.8**	**33.0**	**83.6**
Pecém II	0.5	1.8	29.1	17.7	49.1
Itaqui	4.0	9.3	5.7	15.4	34.4
Gas Generation	**11.8**	**7.4**	**35.3**	**54.6**	**109.0**
Parnaíba I	10.4	-1.4	32.7	-3.8	37.9
Parnaíba II[1]	1.3	8.8	2.6	58.4	71.2
Parnaíba V	**42.1**	**75.5**	**104.5**	**142.7**	**364.7**
Azulão-Jaguatirica	**0.5**	**53.7**	**144.0**	**101.9**	**300.2**
Upstream	**28.4**	**37.1**	**37.0**	**61.3**	**163.8**
Dry wells	0.5	26.1	6.4	4.1	37.0
Distributed Generation Projects	**-**	**-**	**-**	**14.5**	**14.5**

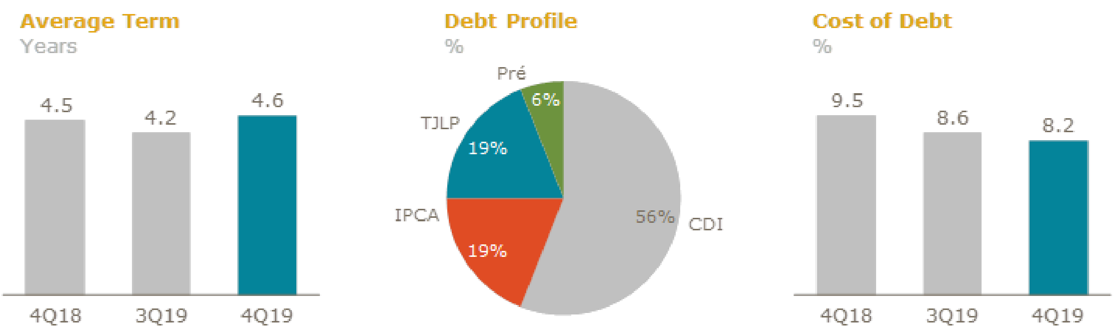
Holding	**2.9**	**4.8**	**4.2**	**8.5**	**20.5**
Total	**90.2**	**189.6**	**359.8**	**416.6**	**1,056.2**

[1] Parnaíba II capex includes the capex of Parnaíba III and Parnaíba IV TPPs, according to the corporate restructuring announced in 4Q18.

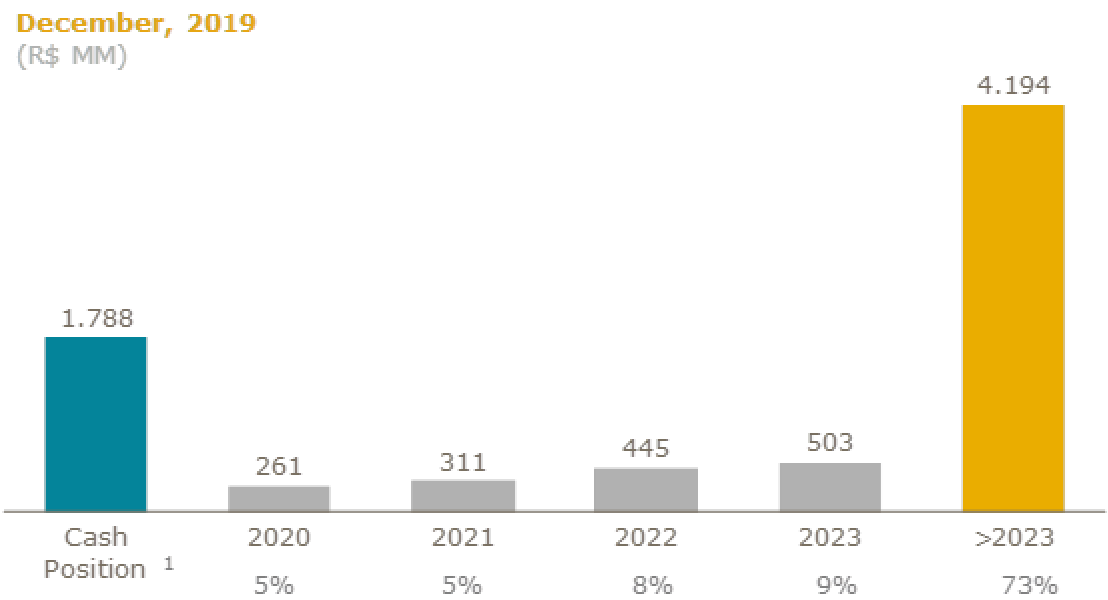
INDEBTEDNESS

As of December 31, 2019, the consolidated gross debt (net of the balance of deposits linked to financing contracts and transaction costs) totaled R$ 5,658 million, an increase of 9.6% when compared to the end of 2018. The debt's effective average cost in the quarter was of 8.2% and the average maturity was of 4.6 years.

Profile of the consolidated gross debt



Schedule of the Consolidated Debt Maturity



(R$ million)

The Company's consolidated cash position at the end of 4Q19 was R$ 1,788 million, not considering the balance in deposits linked to the Company's financing contracts, in the amount of R$ 122 million. Consolidated net debt totaled R$ 3,875 million at the end of the period, equivalent to 2.8x net debt/EBITDA in the last 12 months. The increase in the Company's leverage level reflects the implementation of the Parnaíba V and Azulão-Jaguatirica projects.

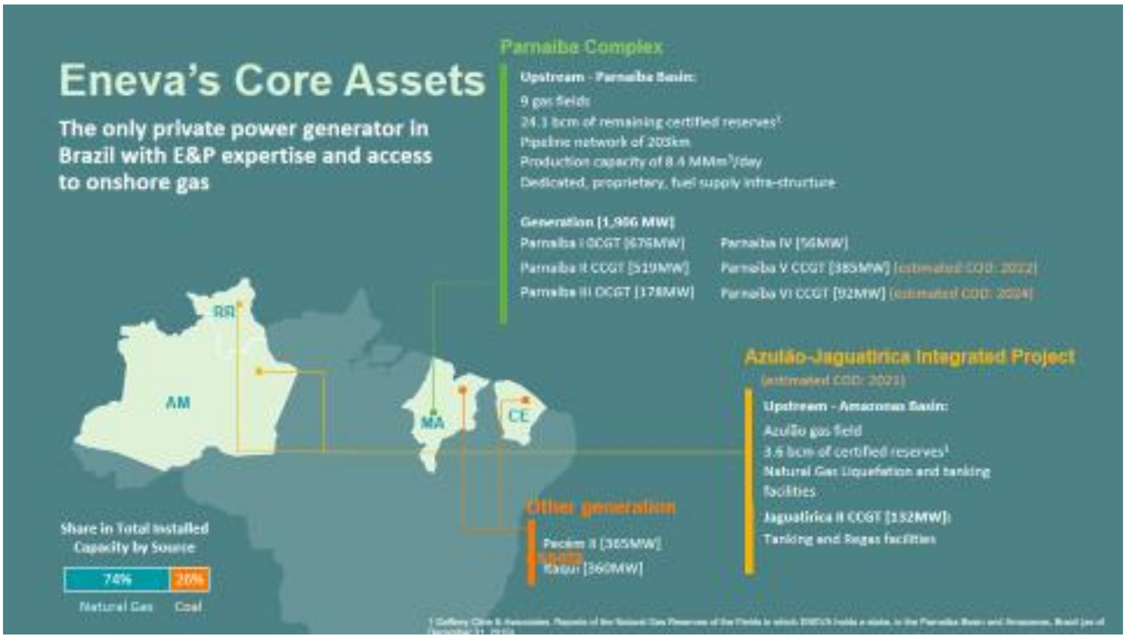
2- CORPORATE STRUCTURE AND PROFILE

ENEVA is an integrated energy company with complementary business in electric power generation and exploration & production of hydrocarbons in Brazil.

It currently has a 2.2 GW thermal generation park, which represents 11% of the country's thermal generation capacity. The total installed capacity will reach 2.8 GW by 2024, when 3 new plants will enter into operation.

On December 31, 2019, the Company had certified reserves (2P) [1] of 24.1 billion m³ of natural gas in the Parnaíba Basin and 3.6 billion m³ of natural gas in the Amazonas Basin, according to data certified by Gaffney, Cline & Associates (GCA). Currently, ENEVA operates 10 natural gas fields in the Parnaíba and Amazonas Basins and, in addition, has concession contracts for exploration and production of hydrocarbons in more than 45 thousand km².

ENEVA is the third largest producer of natural gas in Brazil, and the second largest operator of natural gas in land or sea, according to data from the National Agency of Petroleum, Natural Gas and Biofuel (ANP).[2]



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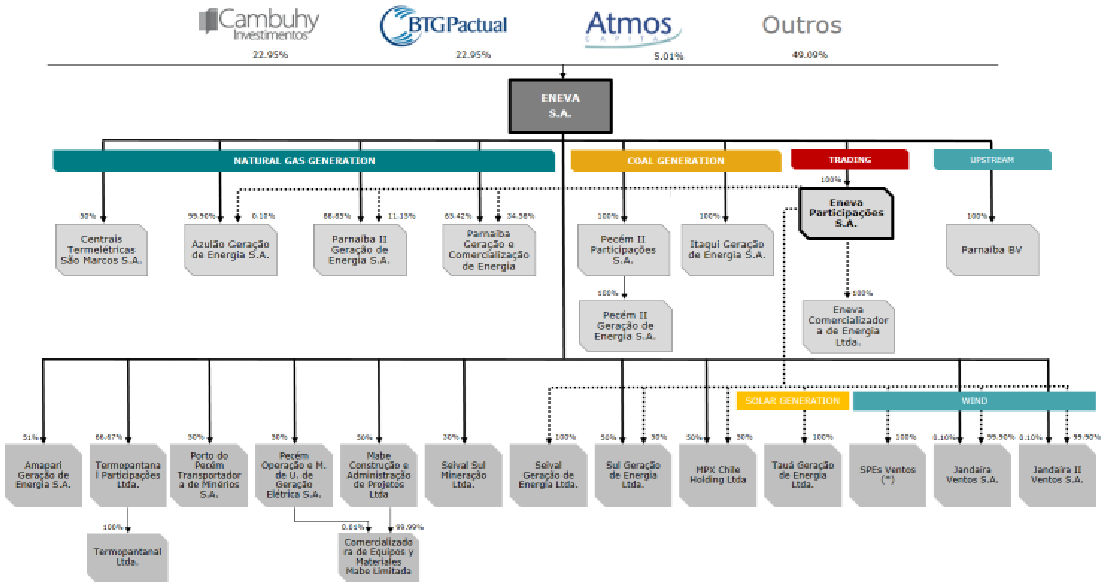
[1] Gaffney Cline & Associates. Reports of the Natural Gas Reserves of the Fields in which ENEVA holds interests, in the Parnaíba and Amazonas Basin, Brazil, on December 31, 2019. Available in https://apicatalog.mziq.com/filemanager/v2/d/6c663f3b-ae5a-4692-81d3-ab23ee84c1de/6a652755-8d15-0cff-b73b76622ebe6fd8?origin=1

[2] Data obtained through the Dynamic Panel for the Production of Oil and Natural Gas - National Agency of Petroleum, Natural Gas and Biofuels - ANP. <http://www.anp.gov.br/exploracao-e-producao-de-oleo-e-gas/painel-dinamico-deproducao-de-petroleo-e-gas-natural>

Ownership structure on 12/31/2019



3- CAPITAL MARKET

ENEVA's share capital on December 31, 2019 was composed of 315,483,181 common shares, 99.8% of which were outstanding.

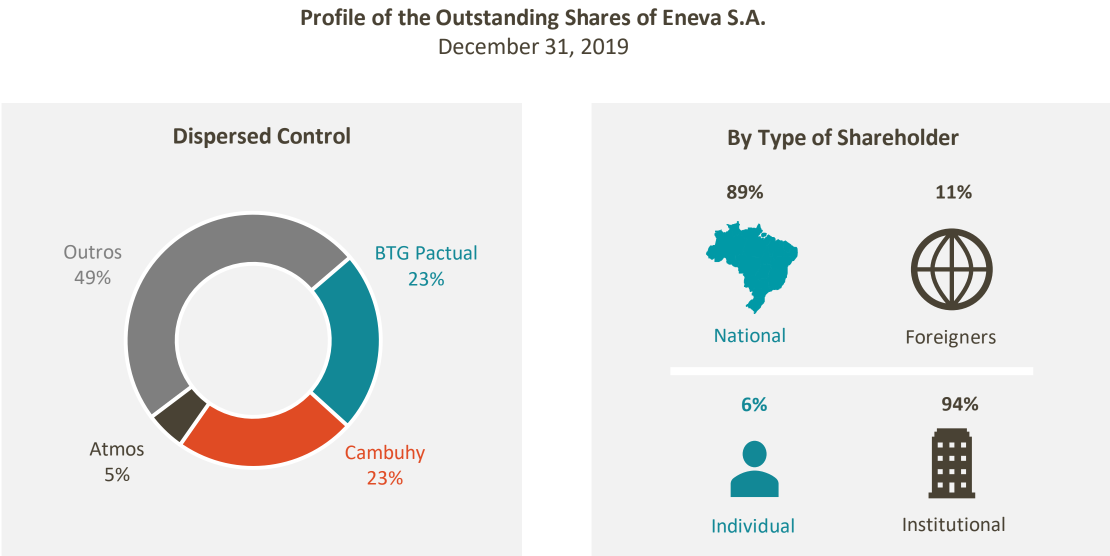
ENEV3	4Q19	3Q19	4Q18	12 months
# Shares - end of period	315,483,181	315,323,423	314,990,499	-
Share price (Closing) - end of period (R$)	43.69	30.67	16.09	-
Traded Shares (MM) - daily avg.	1.6	1.2	0.5	1.2
Turnover (R$ MM) - daily avg.	48.5	27.1	6.1	27.4
Market Cap - end of period (R$ MM)[1]	13,783	9,671	5,068	-
Enterprise Value - end of period (R$ MM)[2]	17,659	13,609	8,873	-

[1]Market Cap considers 100% of Eneva's free float, including shares held by the Company's Directors and Executive Officers.

[2]Enterprise Value is equivalent to the sum of Eneva's Market Cap and Net Debt at the end of each period.

Shareholding Composition

ENEVA has been listed on the Novo Mercado segment since its IPO in 2007. Currently, there is no shareholders' agreement in force. On December 31, 2019 the shareholding Composition is as follows:



4- HUMAN RESOURCES

Eneva ended 2019 with 907 own employees and 2,616 outsourced employees, compared to 842 own employees and 759 outsourced in 2018. People management seeks to guarantee the development of these professionals, with strategic support so that they can grow together with the objectives and goals of the company.

Training and Development

Eneva invests in the knowledge and training of its employees, in order to promote specialization and the improvement of its competences, which has an impact on the quality of services, on reducing costs and time and on achieving the Company's strategic objectives. In 2019, these activities corresponded to 23,723 thousand man-hours trained, compared to 23,218 thousand man-hours trained in 2018.

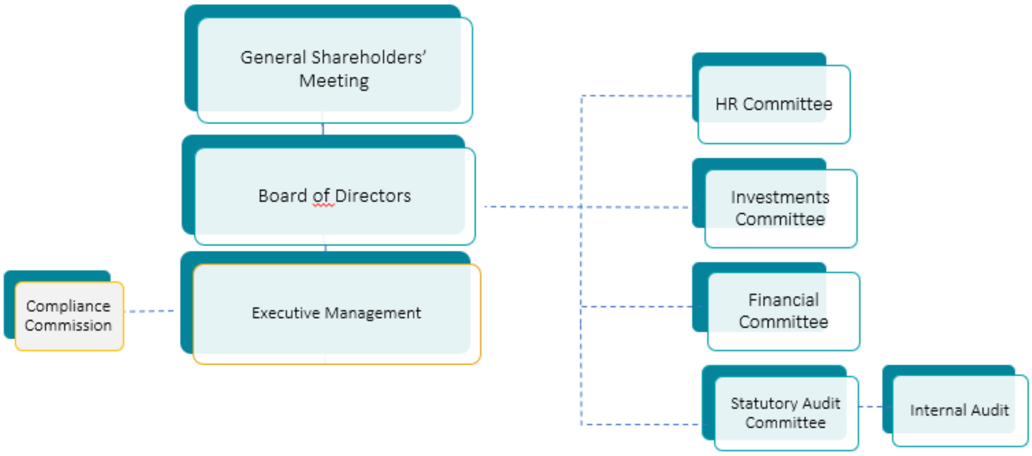
5- GOVERNANCE, RISKS AND COMPLIANCE

Corporate Governance

The Corporate Governance system of Eneva S.A. brings together principles and rules that govern the Company’s organization as well as the relationship between partners, board of directors, executive officers, advisory bodies and other stakeholders. Based on the principles of transparency, equity, accountability, corporate responsibility and ethics in the application of best corporate governance practices.

We have an institutional structure of management policies and instruments, continuously updated, which establishes standards, values and behaviors to be observed for good business governance.

The Company's Corporate Governance structure combines robust decision-making processes and mechanisms that guarantee agility, efficiency and quality. This model represents the constant search for the improvement of the practices adopted and, consequently, the equal treatment of its shareholders. Currently, the Company’s Corporate Governance is as follows:



The main duties of the Company's Board of Directors are the general orientation of the Company's business, the decision on strategic issues and the monitoring of the execution of plans and the management of business by the Executive Board, in accordance with the powers established in the Bylaws and in current legislation.

The Executive Board has as its basic duties the planning and conduct of the Company's operations in line with the execution of the guidelines proposed by the Board of Directors.

In its Corporate Governance structure, ENEVA S.A. also counts on Advisory Committees to the Board of Directors, which are: Statutory Audit Committee, Investment Committee, Finance Committee and Human Resources Committee.

Integrated Risks Management

Eneva has a risk management policy, approved by the Board of Directors, which aims to establish the principles, guidelines and responsibilities to be observed by ENEVA in the risk management process, in order to enable the identification, assessment, treatment, monitoring and communication of the risks to the managers, allowing a reduction in the degree of uncertainty in achieving the objectives and in preserving the value and perpetuity of the company's business. In addition, it aims to promote the integrated management of all risks to which Eneva is exposed, including: financial, strategic, operational, regulatory risks, among others.

It is up to the executive board to define the methodology to be used in the risk management process and to propose to the board of directors the company's risk appetite level. The executive board must periodically monitor the risk management in order to ensure its effectiveness and the fulfillment of its objectives, reviewing the policy and submitting adjustments and improvements to the approval of the board of directors.

The board of directors is responsible for approving amendments to the risk management policy, authorizing, if necessary, any exceptions to the policy, defining the level of risk appetite in conducting business, and ensuring the company's adherence to policies and strategies for managing the established risks. The board of directors should also seek to disseminate the risk management culture in the company and ensure adequate and sufficient resources for the execution of risk management in an independent, objective and effective manner.

Business Integrity

Eneva conducts its activities with integrity, honesty and always ensuring that the information transmitted is transparent, correct and reliable. All levels employees, as well as the suppliers of goods and services, must adopt an honest conduct, in compliance with both Brazilian law and the best business practices and adhering to the principles set out in the Code of Conduct and in the company's policies. The Company understands that it must contribute positively to society and business sustainability, from the point of view of integrity and ethics, with the purpose of being an organization that effectively collaborates for a better world.

In 2019, Eneva conducted a series of actions in accordance with its Integrity Program, coordinated by the Compliance area and presented to the Board of Directors. Adhering to Brazilian anti-corruption legislation and the best integrity practices.

Eneva's Code of Conduct addresses Health, Safety and Environment as one of the main priorities of each employee in complying with the guidelines related to the topic. As well as other important matters, such as: Harassment, forced labor and human rights, interactions with the government, relations with third parties, compliance with competition laws, conflict of interest, whistleblowing channel, among others.

Whistleblowing channel

Eneva has a secure and confidential, external and independent channel for receiving reports of violations of the code of ethics and Brazilian law. Service providers or the general society can anonymously report through the telephone number 0800 601 8679 or through the website www.contatoseguro.com.br.

For all complaints, measures are taken ranging from verbal or written warning, notification to dismissal in cases considered serious.

Fight against corruption

The Company is strongly committed to fighting any corrupt and dishonest practices, repudiating any and all forms of corruption, fraud, bribery, favoring, influence peddling, extortion, money laundering and bribery in its internal relations with suppliers, partners or public agents. In 2019, we published a Consequence Management Guideline and established a reporting investigation procedure.

Anti-corruption training

Eneva adopts a zero tolerance stance in relation to corruption and fraud, of any kind and in any of its forms, for that purpose, it adopts anti-corruption policies and disseminates its contents to all employees (including executives and directors), who are trained to prevent misconduct.

Compliance

The company's Compliance System integrates all rules, formal procedures, actions and punitive measures to guarantee performance in accordance with ethical principles and applicable legislation.

The Compliance area is the associated body of an internal and permanent nature, linked to the Legal department. The area has broad competences, budgetary autonomy and independence of action and is managed by a manager, who reports to the Legal Director.

6- SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

Eneva has been complying with all its social and environmental obligations established within the scope of the environmental licensing of its assets, complying with the applicable legislation and the health, safety and environment initiatives. It unrestrained focused on the compliance with the requirements of the government bodies, on improving the Health, Security and Environment Management, System, on the dialogue with the people and on actions that contribute for a positive social and environmental legacy in the regions the Company operates, pursuing the highest performance standards.

Licenses and Authorizations

In 2019, we highlight that the maintenance and issue of new social and environmental licenses and authorizations ensure the Company’s sustainable and responsible strengthening and growth.

Besides maintaining the existing licenses and authorizations, we highlight that the development of new projects and change of the existing ones followed the procedures required for the environment licensing, being submitted to the government bodies authorized to evaluate the social and environmental feasibility.

In this sense, in 2019, the issuance of the Preliminary License (LP) and Installation License (LI) for UTE Jaguatirica II stands out, in addition to the Environmental Authorizations for drilling and exploration of natural gas in Campo do Azulão in the state of Amazonas and emission of the Installation License (LI) for the construction of UTG Azulão on site.

Besides that, authorizations were issued for seismic and drilling activities in Maranhão in the blocks corresponding to the 14th round of the ANP, with emphasis on the blocks PN-T-69, PN-T-87, PN-T-103, PN-T-101, PN-T-133, PN-T-134, PN-T-117, PN-T-118, PN-T-119, PN-T-146 and PN-T-163.

For production, Installation Licenses were issued to new fields, with emphasis on GVB, GVA, GVV, GVBO, GBSE and GVBN.

The company maintained its commitment to comply with the social and environmental conditions provided for in the licenses and authorizations issued on behalf of its subsidiaries, as well as, within the legal terms of renewal requirements.

Social and Environmental Control and Monitoring Programs

The implementation and operation of the company's projects have social and environmental control and monitoring programs, enabling the mitigation and assessment of the impacts caused by the company's activity. Throughout 2019, Eneva ensured full compliance with the standards required by the current legislation on the quality of effluents, water (underground and surface), air, soil, proper disposal of waste, atmospheric emissions and on dialogues with neighboring communities.

All the results of social and environmental control and monitoring were presented to the competent environmental agencies for the licensing of the company's activities and are available for public consultation.

Greenhouse Gases - GHG

Direct and indirect emissions (acquisition and use of electric energy) of Greenhouse Gases (GHG) from operating assets were inventoried and quantified, according to internationally recognized methodologies. In this context, we highlight the use of ashes from the Itaqui and Pecém II plants, which are reused by the cement industry, directly contributing to the reduction of GHG in that sector, besides that we highlight the fact that the company's main matrix is the natural gas, which, in comparison with other hydrocarbons, is much less polluting. In 2019, the development of renewable energy projects, such as solar and wind, can also be highlighted, including the issuance of 2 Prior Licenses (LP) for 170 MW.

International Certifications

In 2019, UTE Itaqui maintained the certificate of ISO 9001 (Quality Management System) and UTE Pecém II of OHSAS 18.001 (Health and Safety Management System) and ISO 14.001 (Environmental Management System). The plants are committed to the best practices in the sector and comply with the legislation.

SOCIAL RESPONSIBILITY

Eneva in the Communities Program

Eneva considers it strategic to engage all of its stakeholders - employees, the press, public agencies, land owners and local communities. The Eneva in the Communities Program has the main objective of promoting actions aimed at improving the relationship with direct and indirect social groups and improving the quality of life, with pillars directed at education, income generation and family farming. The main highlights in 2019 were:

- Communication and Relationship with Stakeholders

Holding meetings with community leaders and residents of our areas of direct and indirect influence, with the intention of maintaining a transparent dialogue channel and strengthening the relationship. The activities are carried out in the 93 communities involved in the engagement process, with approximately 6,000 people.

- Vila Canaã Resettlement and New Demand

The resettlement projects for families in Maranhão today are in the stage of monitoring data to improve quality of life. The 160 families work with agroecological family farming, and the main sustainability matrix is participation in public policy processes, promoting more income and strengthening. The Vila Canaã Resettlement project was included as a reference in Ibama's Environmental Education Guide in 2019.

- “Aprender” Project

Social project focused on enhancing the learning of children in early childhood (0 to 6 years old), with the purpose of training direct (parents and teachers) and indirect (doctors, nurses, social workers) actors in the municipalities of the interior of Maranhão.

The activities are aligned with the National Curricular Base and reach 4,400 children.

- Return Measures Seminar

Annual event for the evaluation and planning of social projects with the public directly involved. In addition to the communities, there are public bodies, educational entities, inspection bodies with the objective of promoting improvement in the processes of social action.

- Social Entrepreneurship

The main objective of the entrepreneurship project is to promote local potential and sustainability, with direct actions with teenagers and young people from AID communities. It is a 3-year activity and has already been included as an extracurricular activity in the school system of the Municipal Education Department of the State of Maranhão.

- "Criança Energizada" Project

The "Criança Energizada" Project's main activity is to encourage the sports practice of 250 socially vulnerable children and teenagers, from the State of Ceará, in order to improve sports performance, seeking talents and increasing adherence and school performance.

Voluntary Donations of Financial Resources

In 2020, around R$ 511,426.25 were destined to social projects in the States of Ceará, Maranhão and Roraima, through the Incentive Laws, namely: Instituto Povo do Mar (Child and Teenager Fund), Instituto Museu da Pessoa (Rouanet Law), Grêmio Recreativo Pague Menos (Sports Incentive Law) and Hospital do Amor (Elderly Fund).

HEALTH AND SAFETY

Golden Rules

In 2019, we kept in mind the issues related to the Golden Rules, their dissemination and use. In March, we held a roadshow in all Eneva units with the launch of the PARE card, which aims to clarify that everyone should stop unsafe activities. The campaign was attended by the former commander of the Bope of Rio de Janeiro, Rodrigo Pimentel, who spoke about operational discipline and safety excellence, culminating in the launch of a contest to choose our health and safety program, aiming to strengthen the culture of security at Eneva. In order to further reinforce the importance of the Golden Rules, in August 2019 it was established the normative that provides for the management of consequences for cases of non-compliance with the Rules.

Decrease in the accident rates

All indicators related to Occupational Health and Safety, such as accident rates with and without leave, are monitored by the company, which also monitors the registration and investigation of accidents.

Since the creation of the company, there has never been a fatal accident at ENEVA. In 2019, more than 5.6 million hours were worked without fatal accidents within its operational units and it obtained a reduction in accident rates with and without leave.

Health, Safety and Environment Management System

Throughout 2019, we worked on the process of improving our Health, Safety and Environment Management System through the elaboration and implementation of an action plan to deal with non-conformities, observations and improvement opportunities identified during an independent internal audit at Eneva's operational units that occurred in late 2018.

Life of Quality Program

In order to encourage employees to seek a lifestyle with healthy habits, in 2019, the quality of life program maintained and implemented activities aimed at encouraging an ever-improving climate and quality of life at work. Among the activities, we highlight the creation of training groups and street races, Yoga practice, walking, Jiu-Jitsu classes at the company's headquarters, nutritional monitoring, shiatsu, in addition to weekly soccer groups and campaigns to attend the Occupational Health Medical Control Program.

Adequacy to the Technical Regulation of the Well Integrity Management System (SGIP)

With the publication of ANP Resolution No. 46/2016 establishing the Operational Safety Regime for Integrity of Oil and Natural Gas Wells, the Technical Regulation of the Well Integrity Management System (SGIP) came into force in November 2019, applicable to Eneva's E&P well area.

The purpose of the regulation is to establish requirements and guidelines aimed at protecting human life and the environment, the integrity of the assets of the Union, third parties and the Concession Contract Operator.

In this context, Eneva successfully completed the process of implementing the regulation in its operations throughout 2019.

ANP follow up audit

In September 2019, the Parnaíba Gas Treatment System (STGP) and Wells were audited by the National Petroleum Agency (ANP), in order to verify the compliance of the Operational Safety Management System.

Of the eight non-compliances registered by the Agency in the audit carried out in 2017, seven are resolved according to the ANP. The non-compliance that remains open has an action plan scheduled to be concluded in July 2020. It should be noted that no new non-conformities were found and ANP highlighted the following positive points of Eneva:

- Team integration, showing professionalism and commitment.
- Full knowledge of systems, with quick availability of documentation.
- Implementation of the Redmine system in partnership with Eneva's IT area.
- Transparency and responsiveness.

7- SECTORAL CONTEXT

Introduction

2019 was marked by the increase of 7,246 MW of installed capacity in the generating complex,[3] which corresponds to approximately 4% of the current total installed capacity in Brazil. The Belo Monte plant finished its motorization and the second dipole to drain its energy to the Southeast was delivered. Wind energy stood out, reaching 15,404 MW[4] of installed capacity, throughout the year, records of instantaneous generation and monthly average were sequentially surpassed. Wind farms reached 88.88% of the load in the Northeast during peak periods. Auctions of new, existing energy were carried out, and it is noteworthy the auction for supplying the region of Roraima, which is still an isolated system in relation to the National Interconnected System (SIN). Thus, it can be seen that the sector's growth agenda started in 2017 remains in force.

However, despite the increase in hydraulic and wind power, 2019 was marked by periods of high thermoelectric generation and high PLDs, due to unfavorable weather conditions mainly in the first and last months of the year.

In the regulatory sphere, it was resumed the discussions on the modernization of the electric sector, started in 2017 with Public Consultation No. 33 of 2017 of the Ministry of Mines and Energy. In 2019, specifically, a working group involving Aneel, EPE, ONS and CCEE was created in order to discuss various topics such as new price formation mechanisms, new supply criteria, separation of ballast and energy, opening of the market, among others[5]. The decision was taken to incorporate the Dessem model into the chain of official models for programming and operating the system in order to determine the dispatch. Dessem has a horizon divided into semi-hourly stages and spent 2019 in shadow operation. In July 2019, ONS was authorized to officially use the model in the dispatch of the plants as from January 2020. CCEE was authorized to use the model for the formation of the PLD as from January 2021.

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[3] https://www.aneel.gov.br/documents/656877/15495819/Retrospectiva+ANEEL+-+2019/73fd2b23-c540-8548-f7bd-554702f74133?version=1.0

[4] https://sintegre.ons.org.br/sites/2/53/Produtos/64/Boletim%20Mensal%20de%20Gera%C3%A7%C3%A3o%20E%C3%B3lica%202020-01.pdf

[5] http://www.mme.gov.br/documents/20182/9d44afb1-9277-a999-979d-8ac284ddede9

Overview of the National Interconnected System (SIN)

With regard to the hydrological condition, 2019 began in an unfavorable situation in important regions for the National Interconnected System (SIN). Affluent Natural Energy (ENA) in the Southeast region had the 6th worst performance in January and the 6th worst in February in history. After this period, there was a significant improvement in hydrological conditions for the region during the dry period. However, the last quarter of 2019 was marked by new adverse hydrological conditions.

The South region had a more favorable performance in the first half of the year, with the months of May and June among the best in history. As from July, the climatic conditions in the South were similar to those in the Southeast.

The Northeast region had an unfavorable performance throughout the year, having recorded the worst month of February in history, for example. Finally, the North region also performed unfavorably throughout the year. The region presented the 4th worst month of September in history.

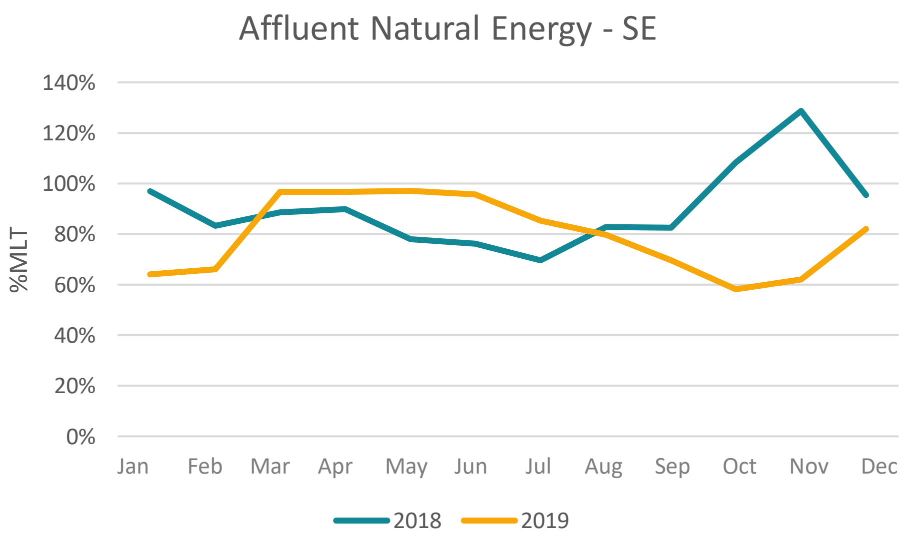


Image 1 - Affluent Natural Energy - SE

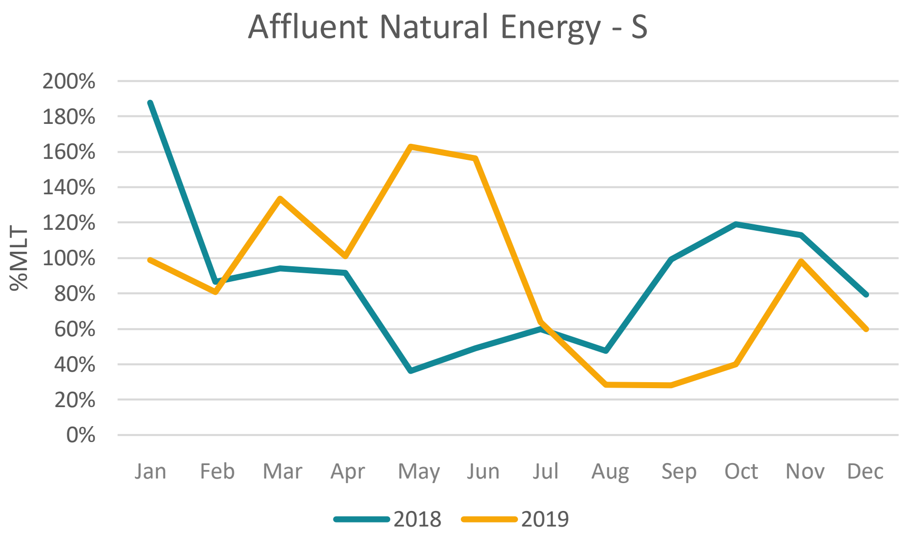


Image 2 - - Affluent Natural Energy - S

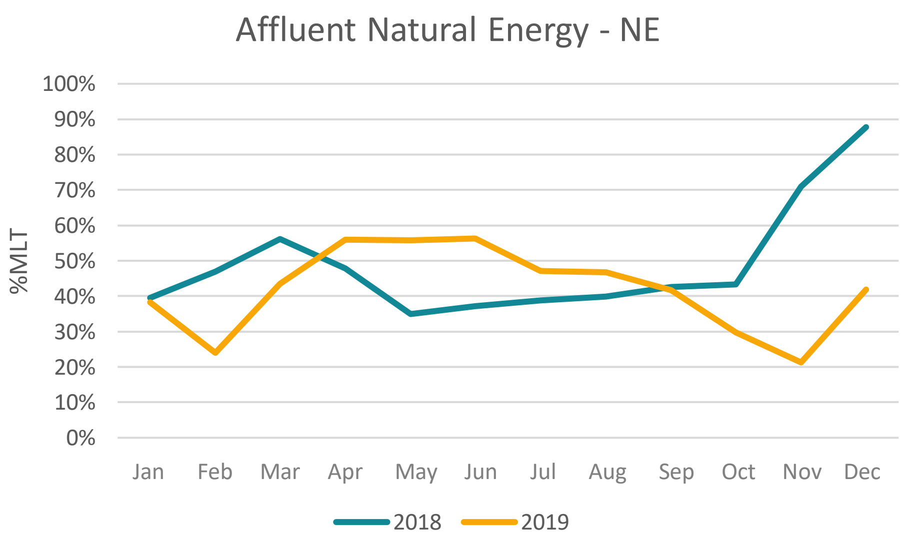


Image 3 - - Affluent Natural Energy - NE

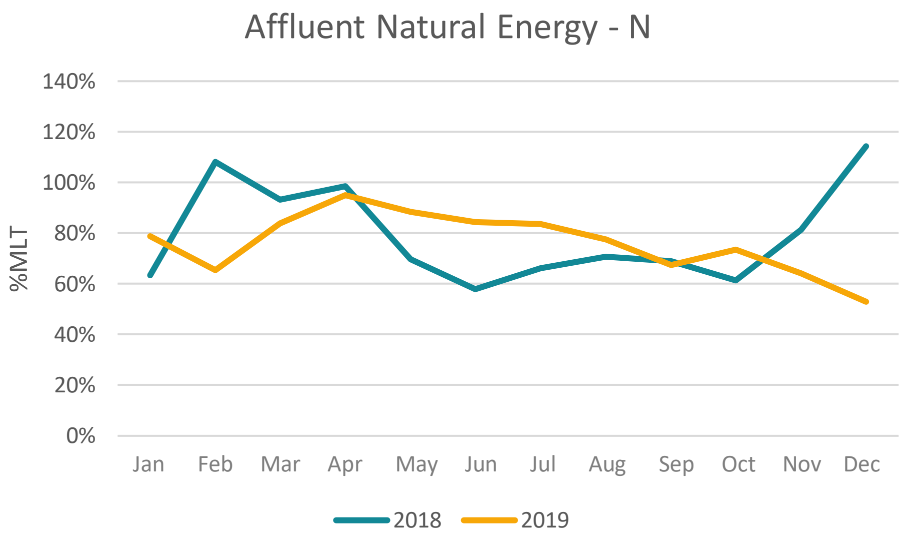


Image 4 - Affluent Natural Energy - N

The cargo performance throughout 2019 grew by 1.94%[6], compared to 2018, with emphasis on the months of January and February when cargo broke record highs. These high values were due to the high temperatures observed due to the scarcity of rainfall in the period. For the period from 2020 to 2024, consumption in the national interconnected system is estimated to grow at an average rate of 3.9% per year.[7]

[6]Source: http://www.ons.org.br/Paginas/resultados-da-operacao/historico-da-operacao/carga_energia.aspx
[7]Source: http://epe.gov.br/sites-pt/publicacoes-dados-abertos/publicacoes/PublicacoesArquivos/publicacao-305/topico-498/NT-PLAN%202024_vf_R1.pdf

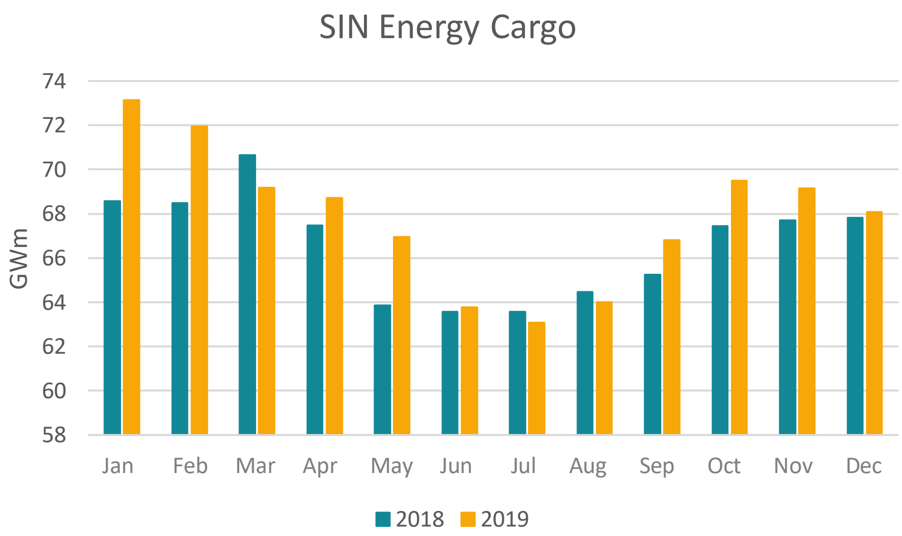


Image 5 – Growth rate of the cargo of SIN 2019 versus 2018[8]

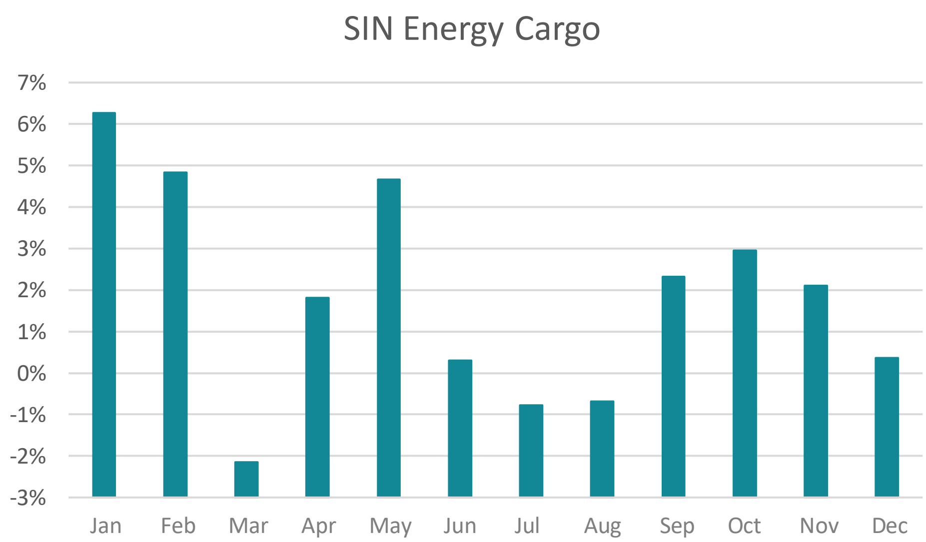


Image 6 – Variation of the cargo of SIN 2019 vs 2020[9]

In most months, thermal dispatch was higher in 2018 than in 2019. Despite this, thermal dispatch in the last quarter of 2019 ended up being much higher than in 2018, due to the great difference in the hydrological condition in the period. As a result, the average annual thermal dispatch ended up getting higher in 2019.

[8] Source: http://www.ons.org.br/Paginas/resultados-da-operacao/historico-da-operacao/carga_energia.aspx

[9] Source: http://www.ons.org.br/Paginas/resultados-da-operacao/historico-da-operacao/carga_energia.aspx

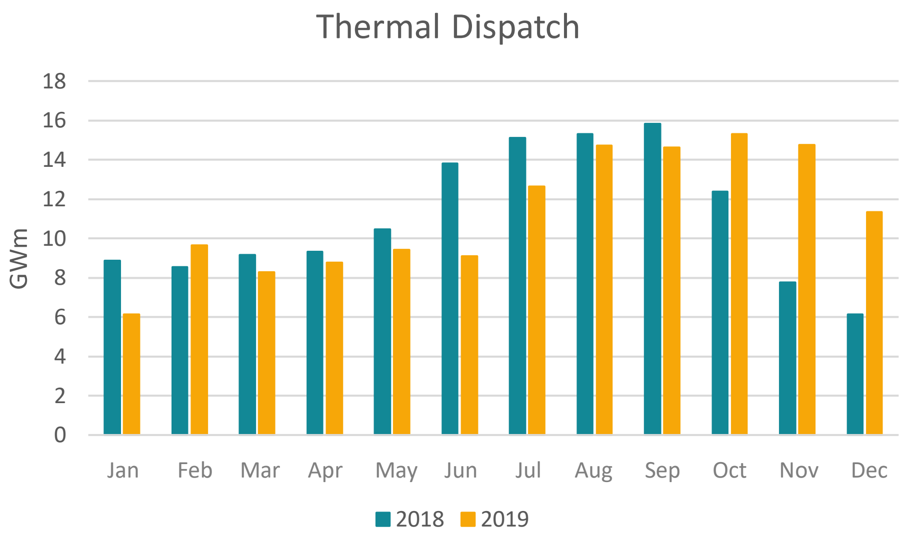


Image 7 – Thermal Power Generation (average MW) [10]

PLDs in the first months of 2019 were considerably high for the period in the Southeast and South submarkets due to unfavorable hydrological conditions in the period. There was a detachment between the submarkets due to energy flow limits between the submarkets. After February, with the gradual recovery of ENA, PLDs became lower and only started to rise again in the last months of the year, again due to hydrological conditions.

[10] Source: http://www.ons.org.br/Paginas/resultados-da-operacao/historico-da-operacao/geracao_energia.aspx

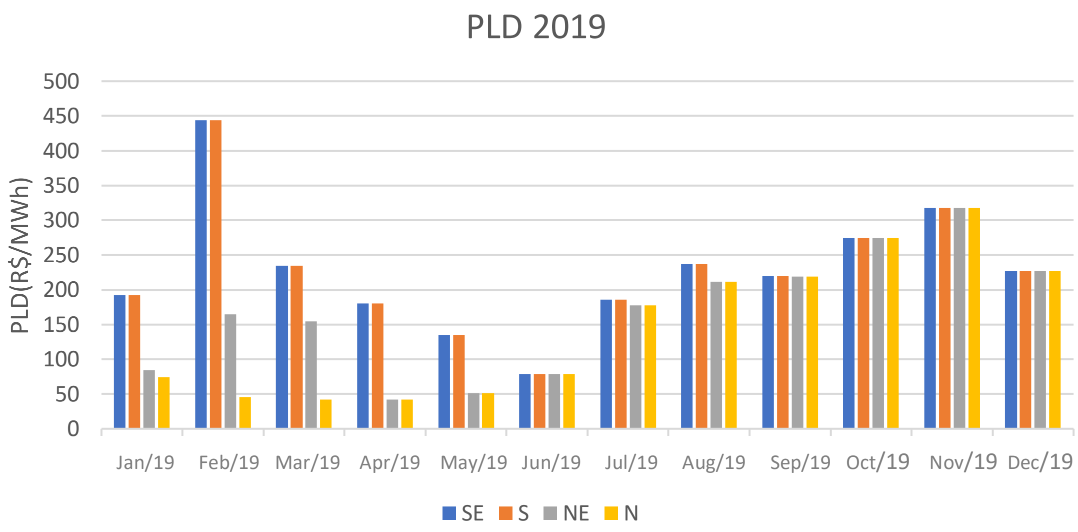


Image 8 - PLDs 2019

Wind generation had the expected behavior, with most of its generation concentrated in the second half of the year, with generation in the period being the highest in history.

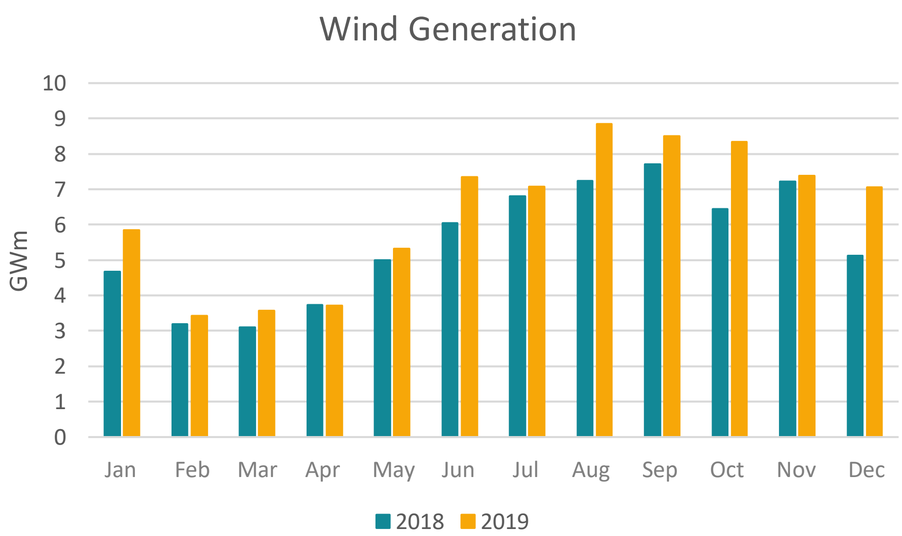


Image 9 - Wind Generation

Energy Bids

After the resumption of the bids for generation expansion in 2017 and its consolidation in 2018, 2019 was a year of resumption of expectations for consumption growth that culminated in a higher contracting rate, compared to the immediately previous years.

In addition to the new energy bids, from the generation point of view, there were two existing energy bids (A-1 and A-2) and the first bid of the Isolated Systems to serve Boa Vista and locations in the State of Roraima. As for transmission, a bid was held to expand the operational possibilities and bring more reliability to the SIN as a whole.

Energia Nova ("New Energy") A-4 2019 Bid

Altogether 81.1 MWm of energy were contracted and 15 projects were made feasible, at an average price of 151.15 R$/MWh.

Table 1 - Energia Nova A-4/2019 Bid[11]

Source	Contracted projects	Installed Capacity (MW)	Contracted Energy (MWm)	Average price (R$/MWh)
Biomass	1	21.4	7.4	179.87
Wind	3	95.2	15.2	79.99
Hydroelectric (PCH)	5	81.3	37.4	198.12
Solar Photovoltaic	6	203.7	62.1	67.48
Total	15	401.6	81.1	151.15

Energia Nova ("New Energy") A-6 2019 Bid

Altogether 1,155 MWm of energy were contracted and 91 projects were made feasible, at an average price of 176.09 R$/MWh.

Table 2 - Energia Nova A-4/2019 Bid[12]

Source	Contracted projects	Installed Capacity (MW)	Contracted Energy (MWm)	Average price (R$/MWh)
Biomass	6	229.6	69.5	187.90
Wind	44	1,040.2	181.1	98.89
Natural gas	3	734.1	673.1	188.89
Hydroelectric (CGH)	6	13.6	7.0	232.05
Hydroelectric (PCH)	19	253.6	103.8	232.72
Hydroelectric (UHE)	2	177.9	61.2	157.08
Solar Photovoltaic	11	530	59.5	84.39
Total	91	2,979.2	1,155.2	176.09

[11] Source: CCEE
[12] Source: CCEE

Isolated Systems Bid - Boa Vista

The 1st auction for Isolated Systems contracted 293.87 MW from 9 different projects, at an average price of 833 R$/MWh, to supply the isolated system of Boa Vista, considering that this is the only Brazilian capital not connected to the National Interconnected System. It is important to highlight that this high energy fee will be partially subsidized by the CCC (Fuel Consumption Account).

Source	Contracted projects	Installed Capacity (MW)	Average price (R$/MWh)
Natural gas	1	126.3	798.17
Biomass	4	40	777.00
Diesel oil	1	42.26	1,059.17
Hybrid	2	73.83	793.13
Biofuel	1	10.98	820.67
Total	9	293.87	833.00

Existing Energy Bids A-1 and A-2/2019

Bid A-1 ended with the hiring of 215 MWm at 158.7 R$/MWm. Bid A-2 ended with the hiring of 93 MWm at the average price of 183.86 R$/MWm. The contracts obtained in these bids have terms of 2 years.

Transmission Bids 2019

In 2019, an energy transmission bid was held in June, with a total offer and bid of 12 lots. The bid discount was 60.3% for the concession for the construction of 2,470 km of transmission lines[13]. It is believed that the implementation of these projects will bring savings in systems operating costs of approximately R$ 430 million per year[14].The main objective of this bid was to increase the reliability of the system to serve the States of Alagoas, Bahia, Ceará, Goiás, Minas Gerais, Pará, Mato Grosso, Mato Grosso do Sul, Rio de Janeiro, Rio Grande do Sul and São Paulo.

[13] Source: ANEEL

[14] Source: https://valor.globo.com/empresas/noticia/2019/12/19/aneel-realiza-leilao-de-transmissao-envolvendo-12-lotes-e-r-42-bi-em-investimentos.ghtml

Perspectives for 2020

Regarding the generation expansion, in 2020, it is expected that the thermal Port of Sergipe will begin its commercial operations, which will add 1.5 GW to the northeast subsystem, supplied by LNG in the international market.

Two existing energy bids are already scheduled for 2020, with the main objective of re-contracting a portion of the thermoelectric market and replacing oil plants with natural gas and national coal plants.

However, the main expectations of the sector for 2020 are centered on possible market developments that encourage the creation of new products and the resolution of current problems, such as GSF, which bring a lot of insecurity to investors. The regulatory review of some aspects of the market is essential to ensure the minimum security for making the necessary investments, in order to guarantee Brazil's electric and energy supply in the coming years.

Summary of recent E&P activities - natural gas

According to data from the National Agency of Petroleum, Natural Gas and Biofuels (ANP), in 2018, 187 wells were concluded in Brazil, of which 121 onshore and 66 offshore. In 2017, 237 wells were concluded, of which 175 were onshore and 62 offshore[15].

In 2019, 25 well discovery notifications were declared to ANP, of which 17 were indications of hydrocarbons on land and 8 at sea. In 2018, 17 discoveries were notified, 11 onshore and 6 offshore[16].

Regarding the declarations of commerciality, 2019 included 2 new fields: Bacalhau and Bacalhau Norte, both at sea. In 2018, concessionaires declared commerciality of 11 new fields: Tartaruga Verde Sudoeste, Gavião Tesoura, Periquito Nordeste, Sudoeste de Sapinhoá, Nordeste de Sapinhoá, Noroeste de Sapinhoá, Cancã Leste, Goiá Sul, Neon, Goiá, Neon Sul; 3 on land and 8 at sea, one of them is owned by Eneva (Gavião Tesoura).

In December 2019, according to ANP, the national production of hydrocarbons had 301 fields operated by 34 companies, 70 of which were offshore and 231 onshore. In December 2018, for comparison purposes, total production had 315 fields and 32 companies, of which 79 offshore and 236 onshore fields.[17]

In 2019, Brazil produced, on average, 122.43 Mm³/d of natural gas, an increase of 9.4% compared to 2018. In the same year, the re-injection of gas represented about 35.2% of the national production (43.17 Mm³/d), according to data from the Ministry of Mines and Energy.[18]

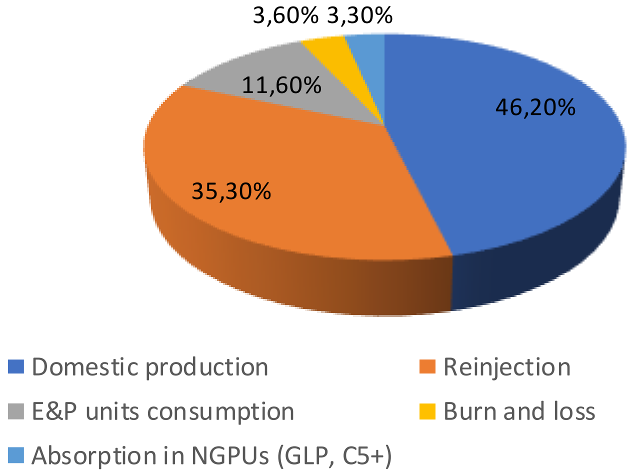
[15] http://www.anp.gov.br/publicacoes/anuario-estatistico/5237-anuario-estatistico-2019

[16] http://www.anp.gov.br/conteudo-do-menu-superior/31-dados-abertos/5476-gestao-de-contratos-de-exploracao-e-producao-dados-de-e-p

[17] http://www.anp.gov.br/arquivos/publicacoes/boletins-anp/producao/2019-12-boletim.pdf e http://www.anp.gov.br/images/publicacoes/boletins-anp/Boletim_Mensal-Producao_Petroleo_Gas_Natural/boletim-dezembro-2018.pdf

[18] Monthly Monitoring Bulletin for the Natural Gas Industry – Ed. 154, Dec/2019.

Segmentation of National Natural Gas Production - Average 2019



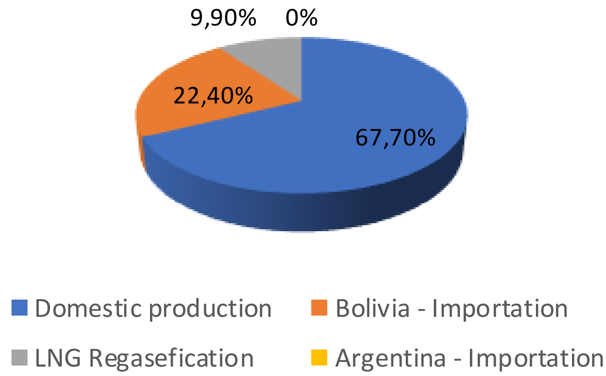
Source: Ministry of Mines and Energy (MME)

The average imported natural gas supply registered 26.95 Mm³/d in 2019, of which 69% came from Bolivian gas. In 2018, the imported gas supply was 29.03 Mm³/d. The decrease in the total imported value between 2019 and 2018 is due to the reduction in Bolivian gas import. Despite this movement, LNG re-gasification increased from 6.92 Mm³/d in 2018 to 8.28 Mm³/d in 2019. The imported gas supply in Brazil consists of Bolivian, Argentine and LNG gas.

In 2019, Brazil imported 3.04 billion cubic meters of re-gasified natural gas (+12.85% compared to 2018), at a FOB price of US$ 5.35/MMBTU (-38.64%), with FOB total value of US$ 638.0 million (-30.83%). The imports came from various places, including Nigeria, the Netherlands, Trinidad and Tobago, Norway, Cameroon, Angola and the United States.

Thus, the average total natural gas supply (domestic and imported) was 83.48 Mm³/d in 2019, comprising 68% of national gas and 32% imported. In 2018, the total offer was of 84.12 Mm³/d, being 65% national and 35% imported. The importations from Bolivia represented 22% of the Brazilian natural gas total offer in 2019.

Segmentation of Natural Gas Total Supply - Average 2019



Source: Ministry of Mines and Energy (MME)

The natural gas average demand decreased 1.1% between 2018 and 2019, from 78.85 Mm³/d to 77,98 Mm³/d. The segment with the highest consumption in 2019 was industrial, with 47% of demand, followed by electricity generation, with 37%. In 2018, the demand was 54% industrial and 30% for electricity generation. In 2017, the total demand was 50% industrial and 35% for electricity generation.

This situation is particularly distinct in isolated systems (North Region and State of Maranhão). In these systems, which include the Parnaíba Complex, the total demand for natural gas increased from 7.84 Mm³/d in 2018 to 8.36 Mm³/d in 2019 (+ 6.63%). The electricity generation represented 98% of the demand for gas in 2019 and 96% in 2018.

In 2019, Brazil produced 44.7 billion cubic meters of natural gas, of which 36.4 billion cubic meters of offshore mining (81%) and 8.3 billion of onshore mining (19%), according to ANP data[19]. The State of Maranhão (Parnaíba Complex) accounted for 1.4 billion m³ of gas, which corresponds to 3% of total national production and 17% of land production. With regard to the availability of natural gas on land, the State of Maranhão represented 30% of the national total (1.4 billion m³) in 2019.

8- SERVICES RENDERED BY THE INDEPENDENT AUDITOR

As determined by CVM Instruction No. 381, of January 14, 2003, the Company entered into a contract with KPMG Auditores Independentes (KPMG) to provide audit services for its financial statements, as well as the review of interim financial information for the year 2019. KPMG did not perform any service other than auditing that could impair its independence or objectivity.

[19] Statistic Data – ANP 2019.

In 2019, KPMG and its affiliates did not provide any additional service to the independent audit that exceeded the contracted value by 5%. The hiring policy adopted by the Company meets the principles that preserve the auditor's independence, in accordance with the current rules, which mainly determine that the auditor should not audit his own work, nor perform managerial functions for his client or promote his clients interests.

Financial Statements

Eneva S.A.
December 31, 2019
With Independent Auditors Report
on financial statement

Balance Sheet

December 31, 2019 and 2018
(All amounts in thousands of reais)

		Parent Company		Consolidated	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	1,006,475	452,050	1,517,583	1,152,266
Marketable securities	8	105,493	96,919	270,652	207,017
Trade receivables	9	2,150	-	695,181	357,883
Inventories	10	30,307	34,977	102,211	225,730
Prepaid expenses		4,569	9,583	9,133	34,507
Income tax and social contribution recoverable	12	30,346	46,632	92,544	107,391
Other taxes recoverable	12	6,752	14,568	25,391	30,874
Derivative financial instruments		-	-	6,698	725
Sundry advances		6,249	707	32,147	20,122
Dividends receivable		24,354	10,843	392	-
Secured deposits		2,290	2,288	2,473	2,651
Trade operations with related parties	22	21,753	6,496	-	-
Advances to suppliers		-	2,121	67,055	5,117
Others		-	2,004	1,660	2,345
		1,240,738	**679,188**	**2,823,120**	**2,146,628**
Non-current assets held for sale	4.5	-	5,965	2,730	-
		1,240,738	**685,153**	**2,825,850**	**2,146,628**
Non-current					
Long-term receivables					
Prepaid expenses		37	26	39	26
Secured deposits		1,489	388	3,355	28,966
Trade operations with related parties	22	253,277	187,551	4,845	4,298
Related-parties loans	22	538,131	511,118	11,863	13,808
Income tax and social contribution recoverable	12	57,177	63,828	61,447	69,994
Other taxes recoverable	12	99,269	85,316	102,076	88,927
Deferred income tax and social contribution	12	250,452	178,291	660,077	572,461
Other credits		72	-	852	586
		1,199,904	**1,026,518**	**844,554**	**779,066**
Investments	13	4,762,537	3,718,497	5,330	3,865
Property, plant and equipment	14	2,009,892	1,836,157	8,805,604	7,929,919
Intangible assets	15	917,308	945,679	1,381,806	1,440,204
		8,889,641	**7,526,851**	**11,037,294**	**10,153,054**
		10,130,379	**8,212,004**	**13,863,144**	**12,299,682**

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

Balance sheet - continuing

December 31, 2019 and 2018
(All amounts in thousands of reais)

	Note	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Liabilities					
Current assets					
Trade payables		113,604	59,347	598,155	348,849
Borrowings and financings	16	12,117	9,859	178,185	184,066
Debentures	17	9,195	-	105,313	113,297
Lease	11	23,405	-	31,531	-
Income taxes and social contributions payable	18	24,947	22,972	94,147	87,617
Other taxes payable	18	33,181	7,645	58,957	29,664
Derivative financial instruments		-	-	7,107	-
Social and labor obligations		17,198	12,632	27,854	22,217
Profit sharing		51,053	42,063	73,417	62,227
Trade payables - electric power sector		-	-	11,922	11,439
Provision for cost due to unavailability		-	-	73,865	51,560
Research and development - electric power sector		-	-	79,705	64,538
Other payables		4,952	59	5,367	370
		289,652	**154,577**	**1,345,525**	**975,844**
Liabilities related to non-current assets held for sale	4.5	7,403	2,920	7,403	2,920
		297,055	**157,497**	**1,352,928**	**978,764**
Non-current					
Trade payables		4,814	2,083	31,704	5,167
Borrowings and financings	16	79,956	1,595,082	1,221,229	3,197,459
Debentures	17	2,628,122	-	4,051,815	1,668,922
Lease	11	68,231	-	70,234	-
Trade operations with related parties	22	45,917	45,831	375	26,768
Contractual retention		-	-	4,330	4,330
Provision for uncovered liability	13.5	3,185	39,220	-	-
Provision for contingencies	20	22,611	12,533	92,845	18,832
Provision for asset retirement obligation	21	75,748	61,720	81,022	66,885
Deferred income tax and social contribution	12	-	-	50,985	45,474
Other payables		2,306	-	5,596	3,201
		2,930,890	**1,756,469**	**5,610,135**	**5,037,038**
Total liabilities		**3,227,945**	**1,913,966**	**6,963,063**	**6,015,802**
Equity	23				
Share capital		8,834,907	8,822,057	8,834,907	8,822,057
Capital reserve		15,640	22,461	15,640	22,461
Legal reserve		-	4,775	-	4,775
Tax incentives reserve		110,725	-	110,725	-
Carrying value adjustments		9,541	11,972	9,541	11,972
Accumulated losses		(2,068,379)	(2,563,227)	(2,068,379)	(2,563,227)
Shareholders' equity attributable to controlling shareholders		**6,902,434**	**6,298,038**	**6,902,434**	**6,298,038**
Interest of non-controlling stockholders		-	-	(2,353)	(14,158)
Total shareholders' equity		**6,902,434**	**6,298,038**	**6,900,081**	**6,283,880**
		10,130,379	**8,212,004**	**13,863,144**	**12,299,682**

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

Statements of income

Years ended December 31, 2019 and 2018
(All amounts in thousands of reais)

		Parent Company		Consolidated	
	Note	2019	2018	2019	2018
Sales and services income	26	732,433	-	3,137,369	3,129,107
Cost of sales and services	27	(238,889)	-	(1,899,594)	(1,875,092)
Gross profit		**493,544**	**-**	**1,237,775**	**1,254,015**
Operating costs/income					
General and administrative	27	(277,823)	(94,917)	(373,121)	(330,092)
Other operating income	27	35,126	196,382	171,885	203,061
Other operating expenses	27	(29,734)	(4,939)	(67,561)	(13)
Result in equity-accounted investments	13.3	397,606	489,181	(2,339)	(8,881)
Profit before finance income (costs) and taxes		**618,719**	**585,707**	**966,639**	**1,118,090**
Finance income/costs					
Finance income	28	101,877	129,093	178,590	186,712
Financial costs	28	(174,674)	(167,676)	(588,770)	(691,044)
Profit before income taxes		**545,922**	**547,124**	**556,459**	**613,758**
Income tax and social contribution on income					
Current	12	(17,280)	-	(39,483)	(35,912)
Deferred	12	72,156	340,749	82,104	310,377
Profit for the year		**600,798**	**887,873**	**599,080**	**888,223**
Attributed to the owners of the parent company		**600,798**	**887,873**	**600,798**	**887,873**
Attributed to the non-controlling shareholders		**-**	**-**	**(1,718)**	**350**
Earnings per share from continuing operations attributable to the owners of the parent during the year (expressed in R$ per share)					
Basic earnings per share	24	-	-	1.90521	2.81873
Diluted earnings per share	24	-	-	1.89101	2.81873

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

Statements of comprehensive income

Years ended December 31, 2019 and 2018
(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Profit for the year	**600,798**	**887,873**	**599,080**	**888,223**
Other comprehensive income to be reclassified for result for the year in subsequent periods				
Translation adjustments	2,046	16,158	2,046	16,158
Carrying value adjustment, net of taxes	(4,477)	(591)	(4,477)	(591)
Total other comprehensive income for the year	**598,367**	**903,440**	**596,649**	**903,790**
Other comprehensive income for the year Net of tax effects	**598,367**	**903,440**	**596,649**	**903,790**
Attributable to				
Controlling shareholders	598,367	903,440	598,367	903,440
Non-controlling interest	-	-	(1,718)	350
Total other comprehensive income for the year	**598,367**	**903,440**	**596,649**	**903,790**

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

Statements of changes in equity

Years ended December 31, 2019 and 2018

(All amounts in thousands of reais)

	Paid-in share capital	Legal reserve	Capital reserve and options granted	Tax incentive reserve	Other comprehensive income	Accumulated losses	Net shareholders' equity	Non-controlling shareholder interests	Total shareholders' equity
At December 31, 2017	**8,822,219**	**4,775**	**18,144**	**-**	**(3,595)**	**(3,451,100)**	**5,390,443**	**(14,508)**	**5,375,935**
Transactions with shareholders:									
Profit for the year	-	-	-	-	-	887,873	**887,873**	350	**888,223**
Appropriation of funding cost	(162)	-	-	-	-	-	**(162)**	-	**(162)**
Fair value of equity instruments	-	-	4,317	-	-	-	**4,317**	-	**4,317**
Other comprehensive income:									
Foreign currency translation adjustments for the year	-	-	-	-	16,158	-	**16,158**	-	**16,158**
Carrying value adjustment asset held for sale	-	-	-	-	(591)	-	**(591)**	-	**(591)**
At December 31, 2018	**8,822,057**	**4,775**	**22,461**	**-**	**11,972**	**(2,563,227)**	**6,298,038**	**(14,158)**	**6,283,880**
Capital increase	12,850		(12,850)	-			**-**	13,523	**13,523**
Tax incentive SUDAM/SUDENE			-	48,837	-	(48,837)	**-**	-	**-**
Tax incentive ICMS			-	61,888	-	(61,888)	**-**	-	**-**
Transactions with shareholders:									
Profit for the year	-	-	-	-	-	600,798	**600,798**	(1,718)	**599,080**
Reversal of legal reserve	-	(4,775)	-	-	-	4,775	**-**	-	**-**
Fair value of asset instruments	-	-	6,029	-	-	-	**6,029**	-	**6,029**
Other comprehensive income:									
Foreign currency translation adjustments for the year	-	-	-	-	2,046	-	**2,046**	-	**2,046**
Carrying value adjustment asset held for sale	-	-	-	-	(4,477)	-	**(4,477)**	-	**(4,477)**
At December 31, 2019	**8,834,907**	**-**	**15,640**	**110,725**	**9,541**	**(2,068,379)**	**6,902,434**	**(2,353)**	**6,900,081**

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

Statements of cash flows

Years ended December 31, 2019 and 2018
(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Cash flows from operating activities				
Result before income taxes	545,922	547,124	556,459	613,758
Adjustments to reconcile the income to the cash flows from operating activities:				
Depreciation and amortization	125,029	3,038	456,406	444,879
Depreciation and amortization CPC 06 (R2) / IFRS 16	32,297	-	33,647	-
Result in equity-accounted investments	(402,581)	(508,596)	(851)	1,016
Provision for uncovered liability	4,975	19,415	3,190	7,865
Interest provision for asset retirement obligation	6,433	-	6,906	5,846
Write-off of dry wells and sub-commercial areas	36,986	-	36,986	38,175
Write-off of properties, plants and equipment and intangible assets	-	-	19,905	-
Credit of PIS/ COFINS due to legal decision	(33,705)	-	(33,705)	-
Interest on credit of PIS/COFINS	(8,529)	-	(8,529)	-
Asset and liability exchange variation	1,702	22,575	(24,047)	11,870
Interest loans and debentures	123,525	119,007	431,754	475,599
Contractual monetary update	261	-	20,888	(5,096)
Earning from loans	(31,863)	(36,807)	(875)	(5,284)
Provision for contingencies	10,078	-	29,667	-
Interest debentures receivable	-	(61,326)	-	(11,554)
Reversal of impairment of Itaqui	-	-	(127,114)	-
Earnings of investments (marketable securities) and other finance income and costs	(21,780)	-	(31,198)	-
Recovery of tax credits	-	-	2,673	-
Derivative financial instruments	-	-	(10,444)	(619)
Interest from Lease CPC 06 (R2) / IFRS 16	9,551	-	11,207	-
Amortization of funding cost	1,239	-	40,878	49,885
Gain in the acquisition of subsidiary	-	(56,809)	-	(56,809)
Gain in advantageous purchase in the acquisition of Pecém II	-	(135,573)	-	(135,573)
	399,540	**(87,952)**	**1,413,803**	**1,433,958**
(Increase) decrease in assets / Increase (decrease) in operating liabilities				
Sundry advances	(3,421)	489	(73,963)	48,052
Prepaid expenses	5,003	(664)	25,361	(16,829)
Trade receivables	(2,150)	61	(326,854)	284,328
Taxes recoverable	59,034	1,290	55,289	(7,877)
Secured deposits	(1,103)	12,111	25,788	60,287
Inventory	4,670	-	83,246	(38,470)
Taxes and contributions	14,615	(2,510)	28,264	(79,677)
Assets and liabilities held for sale	10,448	9,971	-	-
Trade payables	9,776	3,556	91,669	(88,306)
Provisions and labor charges	13,556	22,482	16,827	5,644
Loans	4,850	-	2,820	-
Commercial operations	(80,897)	135,907	(26,065)	(2,590)
Receipt in advance - CCC	-	-	44,091	-
Dividends receivable	(13,118)	(55,065)	-	-
Other assets and liabilities	9,545	(18,139)	37,894	(9,981)
	30,808	**109,489**	**(15,633)**	**154,581**
Income tax and social contribution paid	(4,384)	-	(31,924)	(61,134)
Dividends received	13,753	80,977	-	-
Net cash and cash equivalents provided by (used in) the operating activities	**439,717**	**102,514**	**1,366,246**	**1,527,405**
Cash flow from investing activities				
Acquisition of properties, plants and equipment and intangible assets	(168,237)	(4,115)	(829,917)	(455,570)
Capital contribution / Capital decrease	-	(248,300)	-	-
Capital transfer to investee	(319,001)	(110,000)	(1,000)	(110,000)
Acquisition of subsidiary, net of cash acquired	-	(160,000)	-	(148,866)
Advance for future capital increase	(356,601)	-	-	-
Marketable securities	13,206	31,130	(17,304)	10,129
Net cash and cash equivalents provided by (used in) the investing activities	**(830,633)**	**(491,285)**	**(848,221)**	**(704,307)**
Cash flow from financing activities				
Payment of lease liability	(28,195)	-	(39,623)	-
Minority interest capital transfer	-	-	13,524	-
Funding	2,664,004	-	3,414,004	2,018,410
Amortizations of principal - financings	(1,574,676)	-	(3,083,148)	(2,184,868)
Interest paid	(78,323)	-	(371,607)	(364,126)
Payment of fee - prepayment PII	-	-	(11,093)	-
Funding costs	(37,469)	(162)	(55,224)	(43,623)
Secured deposits	-	-	(19,541)	136,491
Net cash and cash equivalents provided by (used in) the financing activities	**945,341**	**(162)**	**(152,708)**	**(437,716)**
Increase/(decrease) in cash and cash equivalents	**554,425**	**(388,933)**	**365,317**	**385,382**
Statement of the variation in cash and cash equivalents				
At the beginning of the year	452,050	502,905	1,152,266	766,884
At the end of the year	1,006,475	113,972	1,517,583	1,152,266
Increase/(decrease) in cash and cash equivalents	**554,425**	**(388,933)**	**365,317**	**385,382**

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

Statements of value added

Years ended December 31, 2019 and 2018
(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Revenue	**865,679**	**192,382**	**3,462,970**	**3,631,235**
Sales of goods, products and services	830,426	-	3,424,069	3,438,521
Other revenue	35,253	192,382	38,901	192,714
Consumables acquired from third parties (including ICMS and IPI)	**(217,753)**	**(52,798)**	**(1,284,634)**	**(1,476,597)**
Materials, electricity, outsourced services and others	(205,808)	(52,364)	(1,265,394)	(1,349,444)
Gas contract	-	-	(128,499)	(117,744)
Impairment and recovery of assets	(11,945)	(434)	109,259	(9,409)
Gross value added	**647,926**	**139,584**	**2,178,336**	**2,154,638**
Depreciation and amortization	(157,326)	(3,038)	(490,053)	(444,879)
Net value added generated by the entity	**490,600**	**136,546**	**1,688,283**	**1,709,759**
Transferred value added	**544,893**	**660,935**	**176,251**	**150,114**
Result in equity-accounted investments	397,606	489,181	(2,339)	(8,881)
Finance income	69,939	13,082	167,246	65,197
Interest on loan operations and debentures	31,863	98,133	1,384	16,838
Shared services	45,410	56,596	-	56,411
Others	75	3,943	9,960	20,549
Total value added to be distributed	**1,035,493**	**797,481**	**1,864,534**	**1,859,873**
Distribution of value added	**1,035,493**	**797,481**	**1,864,534**	**1,859,873**
Personnel	**130,039**	**82,200**	**295,350**	**249,402**
Direct remuneration	96,598	67,216	217,126	196,622
Benefits	28,982	11,629	67,807	43,979
FGTS and contributions	4,459	3,355	10,417	8,801
Taxes and contributions	**117,368**	**(322,259)**	**344,634**	**74,133**
Federal	43,225	(322,330)	319,615	85,747
State	25,252	(30)	(58,292)	(43,809)
Municipal	201	31	416	142
Fees and contributions	48,690	70	82,895	32,053
Remuneration of third-parties' capital	**187,288**	**149,667**	**625,470**	**648,115**
Interest and fines paid or earned	60,676	64	217,299	80,236
Rentals	6,587	3,271	18,397	57,628
Exchange and monetary variation	22,556	22,575	63,077	17,312
Finance costs	87,707	122,684	295,941	488,919
Others	9,762	1,073	30,756	4,020
Remuneration of own capital	**600,798**	**887,873**	**599,080**	**888,223**
Profit for the year	600,798	887,873	600,798	887,873
Profit (loss) for the year attributed to non-controlling shareholders	-	-	(1,718)	350

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

Notes to the financial statements

All amounts in thousands of reais except when otherwise indicated

1. Operations

Eneva S.A. ("Company" or "Group") is a publicly traded company registered in B3 S.A. – Brasil, Bolsa, Balcão, under the code ("ENEV3"), headquartered in the Municipality and State of Rio de Janeiro, which operates in the generation and trade of electric power and in the exploration and production (E&P) of natural gas in Brazil.

ENEVA counts on a thermal power station of 2.8 GW of installed capacity (78% operating), being 1.9 GW natural gas (74%) and 725 MW mineral coal (26%). It is the second largest company in thermal capacity in the country, responsible for 11% of the national installed thermal capacity.

We currently have ten fields declared commercial, five of them in production, destined entirely to supply the natural gas thermoelectric plants located in the State of Maranhão ("Complexo Parnaíba"), thus assuming a production commitment of 8.4 million m³/day.

Eneva is the largest natural gas private operator in Brazil, operating in an area of 50 thousand km² in the Parnaíba Basin, State of Maranhão.

On December 31, 2019, the Company has the following interest in subsidiaries, joint ventures and associates:

	Equity Interest*	
	12/31/2019	12/31/2018
Direct subsidiaries		
Gas-fired thermal plants		
Parnaíba I Geração de Energia S. A	100.00%	100.00%
Parnaíba II Geração de Energia S.A.	88.85%	88.85%
Azulão Geração de Energia S.A.	99.90%	99.90%
Upstream		
Parnaíba B.V.	100.00%	100.00%
Coal -fired thermal plants		
Itaqui Geração de Energia S. A	100.00%	100.00%
Pecém II Participações S. A	100.00%	100.00%
Others		
Amapari Energia S.A.	51.00%	51.00%
Centrais Termelétricas São Marcos S.A.	-	99.90%
Eneva Participações S.A.	100.00%	100.00%
Jandaíra Ventos S.A.	99.90%	-
Jandaíra II Ventos S.A.	99.90%	-
MPX Energia GMBH	-	100%
Termopantanal Participações Ltda.	66.67%	66.67%
Indirect subsidiaries		
Gas-fired thermal plants		
Parnaíba Geração e Comercialização de Energia S.A.	70.00%	70.00%
Coal -fired thermal plants		
Pecém II Geração de Energia S. A	100.00%	100.00%
Energy trade		
Eneva Comercializadora de Energia Ltda.	100.00%	100.00%
Others		
MPX Chile Holding Ltda.	50.00%	50.00%
Seival Geração de Energia Ltda	100.00%	100.00%
SPE's Ventos	100.00%	100.00%
Sul Geração Energia S.A.	50.00%	50.00%
Tauá Geração de Energia Ltda.	100.00%	100.00%
Termopantanal Ltda.	66.67%	66.67%
Joint ventures:		
Centrais Termelétricas São Marcos S.A.	50.00%	-
MABE Construção e Administração de Projetos Ltda.	50.00%	50.00%
PO&M - Pecém Operação e Manutenção de Geração Elétrica S.A.	50.00%	50.00%
Porto do Pecém Transportadora de Minérios S.A.	50.00%	50.00%
Associates		
Seival Sul Mineração Ltda.	30.00%	30.00%

The summary of the technical specifications of the operating subsidiaries is as follows:

Energy Generation

Venture/ Company	Location	Total capacity ([1])	Fuel	Operation start date	CCEAR	Authorization up to	Eneva's interest
Parnaíba I *	Santo Antônio dos Lopes/MA	676 MW	Natural gas	April 2013	452 MWa for 15 years	December 2027	100%
Parnaíba II */**	Santo Antônio dos Lopes/MA	751 MW	Natural gas	July 2016	568 MWa for 20 years	April 2036	100%
Itaqui	São Luís/MA	360 MW	Imported mineral coal	February 2013	315 MWa for 15 years	December 2026	100%
Pecém II	São Gonçalo do Amarante/CE	365 MW	Imported mineral coal	October 2013	276 MWa for 15 years	December 2027	100%
Tauá	Tauá/CE	1 MW	Solar power source	July 2011	Free market	Non-applicable	100%
Jaguatirica II	Boa Vista/RR	132 MW	Liquefied natural gas	June 2021	15 years in CCESI	June 2036	100%
Parnaíba V	Santo Antônio dos Lopes/MA	385 MW	Natural gas	January 2024	326 MWa for 25 years	December 2049	100%
Parnaíba VI	Santo Antônio dos Lopes/MA	92 MW	Natural gas	January 2025	70 MWa for 25 years	December 2050	100%

([1]) Unaudited information.

* The physical guarantee of UTE Parnaíba I and Parnaíba III were reviewed, according to Note 1.1 - Material events of the year.

** 98MWa of CCEAR (energy commercialization contract in the regulated environment) expires in 15 years, i.e., in December 2027. This is due to the incorporation of Parnaíba III in 2018.

Exploration and Production

Company	Venture	Location	ENEVA's interest
Eneva S.A.	10 natural gas fields, with certified reserves (2P) of 27.7 billion m³.	MA /AM	100%
Parnaíba B.V.	Lessee of machinery and equipment for E&P activities	Netherlands	100%

1.1 Material events of the year:

Throughout 2019, the Company advanced in its growth strategy by winning new auctions, acquiring new exploratory blocks and restructuring its debt profile.

As part of this operational advance, the Company won the A-6 new energy auction (held in October 2019), of the National Electric Energy Agency - ANEEL, which aims to expand the thermoelectric plant UTE MC2 Nova Venécia 2 (venture "Parnaíba III"), incorporated in Parnaíba II in 2018, with an additional installed capacity of 92.3 MW, to be installed in the Parnaíba Thermoelectric Complex. This expansion was called "Parnaíba VI".

Parnaíba VI contracted average 70MW, with seasonal operational inflexibility of 50%, ensuring an annual fixed revenue of R$ 85,346.713.80 (eighty five million, three hundred and forty six thousand, seven hundred and thirteen reais and eighty cents) for a 25-year term, as from January 1, 2025. The Energy Trading Agreements in the Regulated Environment (CCEAR) provides annual adjustment of the fixed income according to IPCA variation.

Another relevant victory in 2019 was in the Auction for Energy Supply to Boa Vista and connected locations of the National Electric Energy Agency (ANEEL), for the thermoelectric generation project UTE Jaguatirica II (company "Azulão Geração de Energia SA") with installed capacity of 132.3 MW, to be implemented in Boa Vista, State of Roraima. The Electricity and Power Sale in Isolated Systems (CCESI) contract was secured for a period of 15 years, starting on June 28, 2021.

The gas supply to UTE Jaguatirica II will be carried out from the Azulão onshore field (company "Eneva S.A"), in the Amazonas Basin, State of Amazonas ("Campo de Azulão").

The Environmental Protection Institute of Amazonas ("IPAAM") issued the Installation License ("LI") for the construction of the gas treatment unit and of the liquefaction terminal, to be installed in Azulão Field ("Azulão"), in the State of Amazonas. On July 19, IPAAM had already issued LI for the drilling of the Azulão wells. On September 5, the Company obtained the LI for the construction of the Jaguatirica II thermoelectric plant. Therefore, the whole Azulão-Jaguatirica integrated project is licensed and being built.

The Ministry of Mines and Energy, through Ordinance No. 361, published in the Federal Official Gazette of September 10, 2019, framed the project as a beneficiary of the Special Incentive System for the Development of the Infrastructure ("REIDI"). Later, the Brazilian Federal Revenue published the Executive Declaratory Act No. 109, authorizing Azulão Geração de Energia S.A. to benefit from the mentioned system.

The inclusion in REIDI guarantees the suspension of the requirement of PIS and COFINS levied on goods, services and leases incorporated during the construction stage of the project, for the supply of natural gas (liquefaction, tanking, cryogenic trailers, regasification and thermoelectric plant).

In addition to the construction of the new projects (Parnaíba V and Integrated Project Azulão-Jaguatirica) and our most recent achievement in the A-6 auction (Parnaíba VI), Parnaíba I and the Parnaíba III project had the physical guarantee ("GF") increase in average 129.9 MW and average 30.4 MW, respectively. The plants' GF now totals average 609.5 MW in Parnaíba I and average 132.2 MW in the Parnaíba III project, providing UTEs with the possibility of selling more energy in the market. The surplus GF of Parnaíba I may be traded in the free contract environment, according to market opportunities, or regulated, in the case of a new auction of existing energy.

The review of the GF of Parnaíba I and III was conditioned to the sale of energy in the Auction of Purchase of Electricity from Existing Generation Projects of 2019, called Auction "A-2", of ANEEL, held on December 6, 2019. The Parnaíba III project contracted an average of 20MW, ensuring annual fixed revenue of R$ 18,361,729.07. Parnaíba I contracted an average of 2MW in the auction, ensuring annual fixed revenue of R$ 1,985,183.37.

The plants will be entitled to receive fixed revenue from January 2021, for a period of 2 years, with an annual adjustment to be carried out in November, according to the variation of the IPCA.

In the Gas Exploration and Production (Upstream) segment, the Company was successful in the first cycle of Permanent Offer, held on September 10, by the Oil, Natural Gas and Biofuel National Agency (ANP), which resulted in the acquisition of 6 onshore blocks. The Company acquired 100% of interest in the blocks PN-T-47, PN-T-48A, PN-T-66, PN-T-67A, PN-T-68, PNT-102A, in the Parnaíba Basin, in the State of Maranhão, and offered Minimum Exploratory Program of 8,811 Work Units, to be carried out during 6 years, in the total area auctioned off of 13,779.74 Km². Eneva will be the operator in all the auctioned off blocks, and the signature total bonus amount was of R$ 3,503 thousand. The contracts were signed on February 14, 2020.

The new assets will complement the Company's portfolio, which already counts with 38,256 Km² under concession in the Parnaíba Basin, as exploratory blocks, developing areas and seven commercial declared fields. The strategy strengthens the Eneva's presence in the region, continuing the development of the Reservoir-to-Wire (R2W) model, which integrates the onshore gas production to the power generation.

Still in the first half of 2019, the process of the 2nd issue of simple debentures, not convertible into shares, was concluded in 3 series in the total amount of R $ 2,000,000,000.00 (two billion reais).

The funds obtained through the first and second series debentures were allocated to the prepayment of 100% of the remaining balance of the unsecured credits of the Company's Judicial Recovery Plan, in the amount of R$ 1,575 billion. Considering the full fulfillment of the obligations of the Judicial Recovery Plan with the consent of all creditors, and without further questions to be decided in the process, Eneva SA and Eneva Participações SA requested the Competent Court to immediately write off and file the records of this process.

The third series funds will be used to pay or reimburse, as the case may be, expenditures, expenses and/or debts related to the implantation of UTE Parnaíba 5A and 5B ("Parnaíba V"), qualifying asset - Power generating plant, in construction.

To complement the financial resources related to the construction of UTE Parnaíba V, on June 28, a financing agreement was signed between Parnaíba Geração e Comercialização de Energia S.A. and Banco do Nordeste do Brasil S.A. ("BNB"), in the amount of R $ 842,567,004.00 (eight hundred and forty-two million, five hundred and sixty-seven thousand and four reais), with a term of 17 (seventeen) years.

Regarding the Upstream segment, the Ministry of Mines and Energy (MME) framed the investments plan in the exploration, development and production of hydrocarbons in the Parnaíba Basin ("Investments Plan") as priority project for the issuance of debentures of infrastructure. Thus, in December, it has completed the 3rd issue of simple debentures, not convertible into shares, unsecured, single series, totaling R$ 650,000,000.00 (six hundred and fifty million reais), which are due in December 2027.

The net funds obtained through the debentures will be used up to the maturity of the debentures for investment, future payment or refund, as appropriate, costs, expenses and/or debts that had occurred in a period not exceeding 24 months, related to the execution of the Parque dos Gaviões project - Parnaíba Basin.

In the second six-month period, the refinancing of the debt of the subsidiary Parnaíba II Geração de Energia S.A. ("Parnaíba II") occurred, through the issue of R$ 750 million in simple debentures, non-convertible into shares, in 3 series and prepayment of the remaining balance of the debts related to:

- 1st issue of simple debentures of Parnaíba II, in the amount of R$ 717 million.
- 2nd issuance of simple debentures of Parnaíba III Geração de Energia S.A. (succeeded by Parnaíba II, in the amount of R$ 246 million.
- Bank credit note with Banco Itaú: Unibanco S.A., in the total amount of R$ 223 million.

In November, the Company entered into an exclusive agreement with Natural Energia Participações Ltda to negotiate the acquisition of 75% of the UTE Nossa Senhora de Fátima project. The agreement provides that the Company will have exclusivity to perform due diligence, as well as to negotiate the aforementioned acquisition up to the date of the ANEEL A-4 and/or A-5 auction in 2020, or 15 days after the qualification of UTE Fátima in an energy auction in the ACR - Regulated Contract Environment, whichever comes first.

UTE Fátima has a prior license for a natural gas thermoelectric plant, with a capacity of up to 1,750 MW, in the municipality of Macaé, state of Rio de Janeiro.

All events are aimed at restructuring financial debts, as well as the execution of new Company projects and continuous growth in the generation of electricity and exploration of natural gas.

2. Licenses and authorizations

Grupo Eneva sought to comply with all its social and environment obligations established within the scope of the environmental licensing of its assets, complying with the applicable legislation and the health and safety initiatives, pursuing the highest performance standards. The maintenance and issue of new social and environmental licenses and authorizations ensure the Company's sustainable and responsible strengthening and growth.

Besides maintaining the existing licenses and authorizations, we highlight that the development of new projects and change of the existing ones followed the procedures required for the environment licensing, being submitted to the government bodies authorized to evaluate the social and environmental feasibility. In this sense, in 2019, the issuance of the Preliminary License (LP) and Installation License (LI) for UTE Jaguatirica II stands out, in addition to the Environmental Authorizations for drilling and exploration of natural gas in Campo do Azulão in the state of Amazonas and emission of the Installation License (LI) for the construction of UTG Azulão on site. In addition, authorizations were issued for seismic and drilling activities in Maranhão in the blocks corresponding to the 14th round of the ANP, with emphasis on the blocks PN-T-69, PN-T-87, PN-T-103, PN-T-101, PN-T-133, PN-T-134, PN-T-117, PN-T-118, PN-T-119, PN-T-146 and PN-T-163. For production, Installation Licenses were issued to new fields, with emphasis on GVB, GVA, GVV, GVBO, GBSE and GVBN.

3. Presentation of the financial statements

The financial statements were prepared according to the accounting policies adopted in Brazil including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and they evidence all the material information of the financial statements which is consistent with that used by management.

The main accounting policies applied in the preparation of these financial statements are set out in Note 4.

The financial statements were prepared considering the historical cost as value basis, except when otherwise indicated. The main accounting practices applied in the preparation of the financial statements are set out in the notes.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

(a) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS).

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information.

(b) Parent company financial statements

The parent company's financial statements have been prepared in accordance with accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPC).

In the consolidated financial statement, these costs are presented as "property, plant and equipment". Accordingly, there is no difference between the parent company equity and the consolidated equity.

The issue of these financial statements was authorized by the Board of Directors and Executive Board on March 23, 2020.

(c) Changes in accounting practices and disclosures

CPC 06 (R2) Leases/(IFRS 16 Leases)

CPC 06 (R2) establishes the principles for the recognition, measurement, presentation and disclosure of leasing operations and requires lessees to provide relevant information so that they faithfully represent these transactions. Thus, the lessees now recognize the liability for future payments and the right to use the leased asset.

The definition of lease covers all contracts that grant the right to use and control of an identifiable asset, including lease agreements and, potentially, some components of service provision contracts.

This standard impacted the registration of operating leasing operations that the Company has outstanding. In cases where the Company is a lessee, it recognized: (i) the right to use the object of the leases, an asset; (ii) the payments established in the contracts, brought to present value, a liability; (iii) expenses with depreciation of assets; and (iv) financial expenses with interest on lease obligations.

Transition CPC 06 (R2)

The Company adopted the CPC 06(R2) as from January 1, 2019, initial adoption date, using the modified retrospective approach, accordingly, the comparative information was not represented and continues being disclosed according to the CPC 06/IFRIC 4. As a result of the adoption, the Company changed its accounting policy for the lease agreements, as presented in Note 11 "Leases".

ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments

It aims at clarifying how to use the recognition and measurement requirements of CPC 32 - Income Taxes, when there is uncertainty over the income taxes treatment. For example, it may not be clear:

- How to use the tax legislation applicable to specific transactions or circumstances;
- Or whether the tax authorities will accept certain tax treatment adopted by the entity.

If the entity concludes that a specific tax treatment is not likely to be accepted, the entity should use estimates (most likely value or expected value) to determine the tax treatment (taxable profit, tax bases, unused tax losses, unused tax credits) tax rates and so on. The decision should be based on which method provides better forecasts for resolving the uncertainty.

The Company evaluated the requirements of this new interpretation and concluded that there is no significant impact on the financial statements, since the main treatments for calculating Income Tax and Social Contribution are considered likely to be accepted by the tax authorities.

(d) Changes in accounting practices and disclosures not yet effective

New standards will be effective for the years beginning after January 1, 2020, which were not adopted by the Company in the preparation of these financial statements. The following standards have been changed and are not expected to have a significant impact on the Company's individual and consolidated forward-looking financial statements:

- Review of CPC 00 - Conceptual Framework for Financial Reporting
- Change in CPC 15 (R1) – Business Combination
- Change in CPC 26 (R1) - Financial Statement Presentation
- Change in CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors - (CPC 23)

4. Summary of the significant accounting practices and policies

4.1 Consolidation

The Company consolidates all the entities it controls, i.e., when it is exposed, or it has rights to variable returns of its investment and it is able to conduct the material activities of the investee.

The consolidated financial statements include the financial statements of the parent company and the companies the Company has the (direct or indirect) control, as shown in Note 1 “Investments”.

The following accounting policies are applied in the preparation of the consolidated financial statements:

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. They are deconsolidated from the date that control ceases.

The acquired identifiable assets and liabilities, including the contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquire by the non-controlling interest's proportionate share of the fair value of the acquire’ s identifiable net assets Non-controlling interests are determined on each acquisition. Acquisition-related costs are expensed as incurred.
Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

Investments held by other investors in Eneva's subsidiaries are classified as non-controlling shareholder.

For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity.

(c) Associates and joint arrangements

Associated companies are all the entities over which the Company exercises significant influence but does not control, in which it generally holds an equity interest of between 20% and 50% of the voting rights.

Joint ventures are all entities over which the Group shares control with one or more parties. These investments are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note “15– Intangible assets”, impairment of non-financial assets, including goodwill.

The Group’s share of the profit or loss of its associates and joint ventures is recognized in the statement of income and its share in the equity changes is recognized in the Group reserves. When the Group’s share of losses in an associate or joint venture equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of operations.

4.2 Foreign currency translation

(a) Functional and presentation currency

The items included in each of the company's entities' financial information are measured by using the currency of the main economy in which each company operates ("functional currency"). The individual and consolidated financial statements are presented in R$, which is the Company's functional currency and the Company's reporting currency.

(b) Transactions and balances

Foreign-currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction or valuation dates, on which the items are reassessed. Foreign exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations, except when qualified as hedge accounting and are therefore deferred in equity as cash flow hedges.

Foreign exchange gains and losses that relate to commercial operations, borrowings and cash and cash equivalents are presented in the statement of income within "Finance income or costs".

(c) Company with different functional currency

The results and financial position of the subsidiary Parnaíba B.V., whose functional currency is different from the reporting currency are translated into the reporting currency as follows:

- **(i)** The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- **(ii)** The revenue and expenses of each statement of operations are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- **(iii)** All resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

4.3 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business, they are classified in the balance according to maturity (current and non-current). Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

4.4 Profit sharing

The Company recognizes a liability and an expense for employees' profit sharing based on established corporate goals linked to the Company's development and growth plan. The profit sharing is comprised of evaluation of goals of all the collaborators and members of the executive board. In the Management's understanding, during the years, this benefit has been improved to provide more engagement of the employees in the improvement of the Company's result.

4.5 Assets held for sale

On February 25, 2019, the Company entered into an Agreement of Purchase and Sale of Shares and Other Agreements with Copelmi Participações Ltda. ("Copelmi"), for the disposal of all the interest in the associate Seival Sul Mineração (30%) and the land owned by the indirect subsidiary Seival Geração de Energia (cost of R$2,730), as previously disclosed in the financial statements for 2018. The conclusion of the operation is subject to the approval by the National Defense Council (CDN).

CPC 31 (IFRS 5) - Non-current assets held for sale and Discontinued Operation requires that the assets classified as held for sale are measured at the lowest amount between the carrying amount and the fair value less the sale expenses. The assets held for sale are as follows:

					12/31/2019
	%	Investor	Result	Unsecured liability	Unsecured liability recorded in Eneva
Seival Sul Mineração S.A.	30%	Eneva S.A.	(17,600)	(24,678)	(7,403)

Once they are classified as held for sale, intangible assets and property, plant and equipment are not amortized or depreciated anymore, and any investment measured by the equity method is not subject to the use of the method anymore.

4.6 Accounting practices

The other material accounting practices of the Company and its subsidiaries are presented in the notes related to items to which they refer.

5. Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The elaboration of the parent company (except as informed in Note 3b) and consolidated financial statements, according to the accounting practices adopted in Brazil and those international, it is required that the management of the Company and of its subsidiaries are based on estimates for the record of certain transactions that affect the assets, liabilities, revenues and expenses.

The results of these transactions and information, upon its effective realization in subsequent periods, may differ from these estimates, due to the inaccuracy inherent to the process of its determination. The Company reviews the estimates and assumptions at least quarterly, except for the impairment that is reviewed according to criteria detailed in the Note "14– Property, plant and equipment".

Significant items subject to estimates and judgments of assumptions are included below:

- the credit risk analysis to determine the estimated loss for doubtful accounts, see Note "9 - Accounts receivable";
- recognition of provisions for tax, civil, labor, administrative and regulatory risks, through the analysis of loss probability that includes evaluation of the available evidences, the available jurisprudence, the latest decisions in the courts and its relevance in the legal framework, as well as the evaluation of external lawyers, see Note "20 - Provision for contingencies".
- Financial assets and liabilities through derivatives and expectation on the commodities market, see Note "19 - Financial instruments and risk management";
- Natural gas reserves are calculated based on economic, geological and engineering information, such as well profiles and pressure data, among others. The reserve volumes are used to calculate the depreciation/depletion/amortization rates in the method of units produced and in the impairment tests. The determination of the estimate of the volume of reserves requires significant judgment and is subject to reviews, at least annually, carried out based on the reevaluation of pre-existing data and/or new information available related to the production and geology of the reservoirs, as well as changes in prices and costs used. The reviews may also arise from significant changes in the Company's development strategy or production capacity, see Note "15 - Intangible assets".
- Impairment of non-current assets - The Company conducts impairment tests on assets, in accordance with the accounting policies described in specific notes. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations.
- Deferred income tax and social contribution - Deferred tax assets and liabilities are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities and those adopted for tax purposes and on tax losses to the extent that it is probable that taxable profits will be available, against which they will be offset, see Note 13 - Recoverable and deferred taxes..
- Impact of natural gas reserves on cost estimates with area decommissioning obligations - The estimated time of realization of costs with area decommissioning obligations is based on the depletion period of proven reserves according to the criteria established by ANP/SPE. Reviews in the reserve estimates that imply changes in the depletion period may affect the provision for dismantling areas. The accounting recognition of these obligations must be at present value, using a risk-free discount rate, adjusted to the company's credit risk. Due to the long periods until the abandonment date, variations in the discount rate, however small they may be, can cause large variations in the recognized amount.

6. Segment reporting

The Company's management manages its ventures based on five main business segments, namely: (i) gas-fired thermal plants, (ii) *upstream*, (iii) coal -fired thermal plants, (iv) energy trade and (v) others.

The performance of the activities of each segment are evaluated by the Company's Executive Board and reflect the structure of the business model adopted. It is important to highlight that the operations between the Company and its subsidiaries, as well as the operations between the subsidiaries, are fully eliminated for the presentation of the segment balance.

The segments are described as follows:

(i) Gas-fired thermal plants

This segment comprises the subsidiaries Parnaíba I Geração de Energia S.A., Parnaíba II Geração de Energia S.A. and Parnaíba Geração e Comercialização S.A., comprising the Parnaíba Complex in the State of Maranhão. This complex has a total installed capacity of approximately 1.4 GW and will have a capacity of 2.0 GW as from the conclusion of the cycle closure works, known as the Parnaíba V project, scheduled to be completed in the second half of 2021 and Parnaíba VI project that aims to expand the thermoelectric plant to UTE MC2 Nova Venécia 2

("Parnaíba II"), with an additional installed capacity of 92.3 MW, with completion scheduled for the 1st half of 2025.

All the complex is connected to the North Subsystem of generation and transmission of energy of the National Interconnected System (SIN).

Additionally, the Thermal Gas generation segment has the Jaguatirica II project with an installed capacity of 132.3 MW, to be implemented in Boa Vista, State of Roraima, with conclusion expected to be in the second half of 2021. The project is located in an isolated system.

(ii) Upstream

In this segment, the Company acts in the exploration and production (E&P) of hydrocarbons in an area under concession of approximately 50 thousand km² in the Parnaíba Basin, in the State of Maranhão and of 58 km² in the Amazonas Basin.

The Company has the commitment to produce 8.4 million m³ of natural gas per day, totally for the supply of the Parnaíba Complex, consolidating the *Reservoir-to-Wire* ("R2W") model, which the Company was the pioneer to adopt in the country. This segment comprises the companies Eneva S.A. and Parnaíba B.V..

(iii) Coal -fired thermal plants

This segment comprises the subsidiaries Itaqui Geração de Energia S.A. with installed capacity of 360 MW, located in the State of Maranhão, connected to the North Subsystem, and Pecém II Geração de Energia S.A. with installed capacity of 365 MW, located in the State of Ceará, connected to the Northeast Subsystem of generation and transmission or power of the National Interconnected System (SIN).

(iv) Energy trade

In this segment, there is the trade of energy in the Free Hiring Environment (ACL) mandatorily registered in CCEE through its indirect subsidiary Eneva Comercializadora de Energia Ltda.

(v) Others

This segment comprises Eneva Participações S.A., besides companies held for the development of projects.

The main lines of the balance sheet and of the statements of operations, by segment, for December 31, 2019 and 2018, are as follows:

Equity accounts 12/31/2019:

	Natural Gas generation										
	Gas-fired thermal plants	*Upstream*	Eliminations	Subtotal consolidated	Coal-fired thermal plants	Eliminations	Subtotal consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Total assets	**4,140,434**	**5,266,768**	**(431,105)**	**8,976,097**	**4,693,724**	**(2,605)**	**4,691,119**	**129,474**	**620,242**	**(553,788)**	**13,863,144**
Current	**883,385**	**1,318,522**	**(119,707)**	**2,082,200**	**637,584**	**-**	**637,584**	**56,674**	**49,392**	**-**	**2,825,850**
Cash and equivalents	277,485	1,006,502	-	1,283,987	201,924	-	201,924	13,676	17,996	-	1,517,583
Trade receivables	382,288	2,134	-	384,422	289,903	-	289,903	20,826	30	-	695,181
Inventory	14,224	30,307	-	44,531	57,669	-	57,669	-	11	-	102,211
Other assets	209,388	279,579	(119,707)	369,260	88,088	-	88,088	22,172	31,355	-	510,875
Non-current	**3,257,049**	**3,948,246**	**(311,398)**	**6,893,897**	**4,056,140**	**(2,605)**	**4,053,535**	**72,800**	**570,850**	**(553,788)**	**11,037,294**
Deferred IR/CS	93,913	250,454	-	344,367	293,821	-	293,821	21,853	36	-	660,077
PPE and intangible assets	3,132,642	2,615,492	(17,824)	5,730,310	3,755,770	-	3,755,770	135	115,431	585,764	10,187,410
Other assets	30,494	1,082,300	(293,574)	819,220	6,549	(2,605)	3,944	50,812	455,383	(1,139,552)	189,807
Total liabilities	**4,140,434**	**5,266,768**	**(431,105)**	**8,976,097**	**4,693,724**	**(2,605)**	**4,691,119**	**129,474**	**620,242**	**(553,788)**	**13,863,144**
Current	**474,631**	**502,397**	**(193,629)**	**783,399**	**478,988**	**(142)**	**478,846**	**59,499**	**21,830**	**9,354**	**1,352,928**
Borrowings	-	12,117	-	12,117	166,068	-	**166,068**	-	-	-	178,185
Debentures	96,118	9,195	-	105,313	-	-	**-**	-	-	-	105,313
Other liabilities	378,513	481,085	(193,629)	665,969	312,920	(142)	**312,778**	59,499	21,830	9,354	1,069,430
Non-current	**1,771,202**	**2,802,321**	**(237,476)**	**4,336,047**	**1,714,749**	**(2,463)**	**1,712,286**	**3,384**	**121,560**	**(563,142)**	**5,610,135**
Borrowings	-	79,957	-	79,957	1,141,272	-	**1,141,272**	-	-	-	1,221,229
Debentures	1,423,694	2,628,121	-	4,051,815	-	-	**-**	-	-	-	4,051,815
Other liabilities	347,508	94,243	(237,476)	204,275	573,477	(2,463)	**571,014**	3,384	121,560	(563,142)	337,091
Non-controlling stockholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,353)**		**(2,353)**
Equity	**1,894,601**	**1,962,050**	**-**	**3,856,651**	**2,499,987**	**-**	**2,499,987**	**66,591**	**479,205**	**-**	**6,902,434**

Equity accounts 12/31/2018:

	Natural Gas generation										
	Gas-fired thermal plants	*Upstream*	Eliminations	Subtotal consolidated	Coal -fired thermal plants	Eliminations	Subtotal consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Total assets	**3,779,238**	**3,469,562**	**(490,605)**	**6,758,195**	**4,565,325**	**(2,608)**	**4,562,717**	**125,078**	**1,889,391**	**(1,035,699)**	**12,299,682**
Current	**865,651**	**613,321**	**(92,408)**	**1,386,564**	**562,638**	**-**	**562,638**	**61,658**	**207,800**	**(72,032)**	**2,146,628**
Cash and equivalents	481,094	338,226	-	819,320	193,549	-	193,549	22,582	116,815	-	1,152,266
Trade receivables	176,040	2,018	-	178,058	161,971		161,971	17,815	39	-	357,883
Inventory	37,639	34,977	-	72,616	153,103	-	153,103	-	11	-	225,730
Other assets	170,878	238,100	(92,408)	316,570	54,015	-	54,015	21,261	90,935	(72,032)	410,749
Non-current	**2,913,587**	**2,856,241**	**(398,197)**	**5,371,631**	**4,002,687**	**(2,608)**	**4,000,079**	**63,420**	**1,681,591**	**(963,667)**	**10,153,054**
Deferred IR/CS	64,134	178,291	-	242,425	308,147	-	308,147	21,853	36	-	572,461
PPE and intangible assets	2,569,511	2,410,573	-	4,980,084	3,686,572	-	3,686,572	181	101,004	602,282	9,370,123
Other assets	279,942	267,377	(398,197)	149,122	7,968	(2,608)	5,360	41,386	1,580,551	(1,565,949)	210,470
Total liabilities	**3,779,238**	**3,469,562**	**(490,605)**	**6,758,195**	**4,565,325**	**(2,608)**	**4,562,717**	**125,079**	**1,889,391**	**(1,035,700)**	**12,299,682**
Current	**236,369**	**398,922**	**(89,329)**	**545,962**	**405,605**	**(154)**	**405,451**	**63,125**	**29,723**	**(65,497)**	**978,764**
Borrowings	18,266	9,859	-	28,125	155,941	-	155,941	-	-	-	184,066
Debentures	113,297	-	-	113,297	-	-	-	-	-	-	113,297
Other liabilities	104,806	389,063	(89,329)	404,540	249,664	**(154)**	249,510	63,125	29,723	-65,497)	681,401
Non-current	**2,433,311**	**503,665**	**(383,772)**	**2,553,204**	**1,857,631**	**(2,454)**	**1,855,177**	**8,200**	**1,590,660**	**(970,203)**	**5,037,038**
Borrowings	201,817	77,698	-	279,515	1,394,858	-	1,394,858	-	1,517,384	-	3,191,757
Debentures	1,674,624	-	-	1,674,624	-	-	-	-	-	-	1,674,624
Other liabilities	556,870	425,967	(383,772)	599,065	462,773	(2,454)	460,319	8,200	73,276	(970,203)	170,657
Non-controlling stockholders	-	-	-	-	-	-	-	-	**-14,158**	**-**	**-14,158**
Shareholders equity - controllers	**1,109,558**	**2,566,975**	**(17,504)**	**3,659,029**	**2,302,089**	**-**	**2,302,089**	**53,754**	**283,166**	**-**	**6,298,038**

2019

	Natural Gas generation										
	Gas-fired thermal plants	*Upstream*	Eliminations	Subtotal consolidated	Coal -fired thermal plants	Eliminations	Subtotal consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Statement of operations											
Net operating revenue	1,742,505	742,845	(673,721)	**1,811,629**	1,284,722	-	**1,284,722**	412,786	506	(372,274)	**3,137,369**
Cost of goods and/or sold services	(1,300,638)	(238,857)	670,947	**(868,548)**	(990,228)	-	**(990,228)**	(406,764)	(114)	366,060	**(1,899,594)**
Operating costs	(33,974)	(193,573)	-	**(227,547)**	(23,819)	-	**(23,819)**	(4,897)	(10,903)	(13,284)	**(280,450)**
Other operating results	(7,827)	5,393	-	**(2,434)**	104,709	-	**104,709**	245	1,804	-	**104,324**
Costs with exploration and dry well	-	(92,671)	-	**(92,671)**	-	-	**-**	-	-	-	**(92,671)**
Equity in the results of investees	-	394,899	(188,250)	**206,649**	29,854	(29,854)	**-**	-	39,313	(248,301)	**(2,339)**
Finance income	69,394	101,916	(22,647)	**148,663**	43,500	-	**43,500**	12,722	2,159	(28,454)	**178,590**
Finance costs	(258,427)	(176,672)	25,421	**(409,678)**	(203,526)	-	**(203,526)**	(629)	(3,391)	28,454	**(588,770)**
Provision for current and deferred taxes	5,834	54,876	-	**60,710**	(17,463)	-	**(17,463)**	(626)	-	-	**42,621**
Profit (Loss) for the period	216,867	598,156	(188,250)	**626,773**	227,749	(29,854)	**197,895**	12,837	29,374	(267,799)	**599,080**
Attributed to the owners of the parent company	216,867	598,156	(188,250)	**626,773**	227,749	(29,854)	**197,985**	12,837	29,374	(266,081)	**600,798**
Attributed to the non-controlling shareholders	-	-	-	**-**	-	-	**-**	-	-	(1,718)	**(1,718)**

2018

	Natural Gas generation										
	Gas-fired thermal plants	*Upstream*	Eliminations	Subtotal consolidated	Coal -fired thermal plants	Eliminations	Subtotal consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Statement of operations											
Net operating revenue	2,311,048	232,332	(716,379)	**1,827,001**	1,231,240	-	**1,231,240**	495,441	356	(386,109)	**3,167,929**
Cost of goods and/or sold services	(1,453,744)	(173,652)	716,379	**(911,017)**	(902,837)	-	**(902,837)**	(486,059)	(110)	386,109	**(1,913,914)**
Operating costs	(65,860)	(6,832)	-	**(72,692)**	(22,318)	-	**(22,318)**	(3,977)	(90,562)	(28,139)	**(217,688)**
Other operating results	2,206	2,173	-	**4,379**	(1,113)	-	**(1,113)**	-	199,782	-	**203,048**
Costs with exploration and dry well	(112,404)	-	-	**(112,404)**	-	-	**-**	-	-	-	**(112,404)**
Equity in the results of investees	-	-	-	**-**	-	-	**-**	-	(8,881)	-	**(8,881)**
Finance income	54,638	19,186	-	**73,824**	60,826	-	**60,826**	3,093	48,969	-	**186,712**
Finance costs	(242,532)	(122,374)		**(364,906)**	(212,186)		**(212,186)**	(19,736)	(94,216)	-	**(691,044)**
Provision for current and deferred taxes	(83,194)	(9,891)	-	**(93,085)**	28,056	-	**28,056**	(8)	339,502	-	**274,465**
Profit (Loss) for the year	410,158	(59,058)	-	**351,100**	181,668	-	**181,668**	(11,246)	394,840	(28,139)	**888,223**
Attributed to the owners of the parent company	410,158	(59,058)	-	**351,100**	181,668	-	**181,668**	(11,246)	394,840	(28,489)	**887,873**
Attributed to the non-controlling shareholders	-	-	-	**-**	-	-	**-**	-	-	(350)	**(350)**

Gross revenue inter-segments and from external customers

	2019			2018		
	Total gross revenue of the segment	Inter-segment gross revenue	Gross revenue from external customers	Total gross revenue of the segment	Inter-segment gross revenue	Gross revenue from external customers
Gas-fired thermal plants	1,952,951	52,157	1,900,794	1,972,984	83,468	1,889,516
Upstream	830,426	826,071	4,355	826,525	823,620	2,905
Coal	1,450,097	-	1,450,097	1,390,476	-	1,390,476
Energy trader	454,860	358,062	96,798	546,798	341,997	204,801
Holding and others	558	-	558	391	-	391
	4,688,892	**1,236,290**	**3,452,602**	**4,737,174**	**1,249,085**	**3,488,089**

Sales between segments are carried out at the market value of the transactions.

Breakdown of the gross revenue by category

	(CCEAR)		MCP	Lease		Gas and Condensed	2019 Total
	Fixed availability	Variable	Variable	Fixed	Variable	Variable	
Gas-fired thermal plants	1,249,020	411,913	292,018	-	-	-	**1,952,951**
Upstream	-	-	-	291,773	54,568	484,085	**830,426**
Coal	818,838	318,581	312,678	-	-	-	**1,450,097**
Energy trader	-	-	454,860	-	-	-	**454,860**
Holding and others	-	-	558	-	-	-	**558**
Total	**2,067,858**	**730,494**	**1,060,114**	**291,773**	**54,568**	**484,085**	**4,688,892**

	(CCEAR)		MCP	Lease		Gas and Condensed	2018 Total
	Fixed availability	Variable	Variable	Fixed	Variable	Variable	
Gas-fired thermal plants	1,197,121	471,273	304,590	-	-	-	1,972,984
Upstream	-	-	-	257,267	112,720	456,538	826,525
Coal	736,652	460,144	193,680	-	-	-	1,390,476
Energy trader	-	-	546,798	-	-	-	546,798
Holding and others	-	-	391	-	-	-	391
Total	**1,933,773**	**931,417**	**1,045,459**	**257,267**	**112,720**	**456,538**	**4,737,174**

Gross revenue per state is distributed as follows:

	2019	2018
Maranhão	3,506,086	3,552,281
Ceará	727,946	638,095
Rio de Janeiro	454,860	546,798
	4,688,892	**4,737,174**

With the conclusion of the construction of the Azulão-Jaguatirica project, we will expand our operations to the regions of Amazonas and Roraima.

7. Cash and cash equivalents

These include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value, being stated at the balance date at fair value.

		Parent Company		Consolidated	
		2019	2018	2019	2018
Cash and banks		2,951	2,737	34,892	41,601
Investment funds FICFI RF CP ENEVA	(a)	69,250	215,936	174,386	450,130
CDB/Purchase and sale agreements	(b)	934,274	233,377	1,308,305	660,535
		1,006,475	**452,050**	**1,517,583**	**1,152,266**

(a) It is the Investment funds in quotas of FI Multimercado Crédito Privado Eneva managed by Banco Itaú. On December 31, 2019, the balance is just comprised of securities held under repurchase agreements backed by Federal government securities registered at CETIP or SELIC, when applicable, and with guarantee of repurchase at a previously established rate from the financial institutions, as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
CDBs	-	15,115	-	30,716
Securities held under repurchase agreements	69,250	200,821	174,386	419,414
	69,250	**215,936**	**174,386**	**450,130**

(b) These represent amounts invested in CDBs and securities held under repurchase agreements issued by first-rate financial institutions all linked to floating rates and with an average annual yield of 100% of the DI CETIP rate (Interbank Deposit Certificate - CDI). The higher balance when compared to 2018 is due to financial contributions made through borrowings and debentures, for investment in projects under construction.

The Company's cash and cash equivalents - helps maintain short-term commitments. The main cash changes in the year ended December 31, 2019 were for debt service, including prepayments totaling R$ 1,575 million, in addition to net investments in the business segments (construction of Parnaíba V and Jaguatirica II) in the amount of R$ 519,884 thousand. These changes were substantially provided by an operating cash generation of R$ 1,366,246 and funding of R$ 3,414,004.

8. Marketable securities

	Parent Company		Consolidated	
	2019	2018	2019	2018
Treasury Financial Bills (LFTs) (a)	105,493	96,919	265,652	202,017
Capitalization securities	-	-	5,000	5,000
	105,493	**96,919**	**270,652**	**207,017**

(a) Treasury Financial Bills (LFTs) are post-fixed securities whose remuneration is based on the variation of the daily SELIC rate recorded between the settlement date and the maturity date. On December 31, 2019, the Company's LFT portfolio holds securities whose maturities are between 2020 and 2025.

9. Trade receivables

The Company's trade receivables correspond to the billed amounts for the sale of electricity in the normal course of its activities. They are recognized initially at fair value and subsequently measured at amortized cost, adjusted at present value less the expected credit loss.

		Consolidated 2019	2018
Energy trading agreements in the regulated environment (CCEAR):			
Itaqui Geração de Energia S.A.		100,642	55,474
Parnaíba I Geração de Energia S.A.		152,401	75,708
Parnaíba II Geração de Energia S.A.		125,289	71,453
Pecém II Geração de Energia S.A.		98,077	94,170
	(a)	**476,409**	**296,805**
Energy trading agreements in the free environment:			
Eneva Comercializadora de Energia Ltda.		914	226
Itaqui Geração de Energia S.A.		46,140	10,588
Parnaíba I Geração de Energia S.A.		39,813	3,399
Parnaíba II Geração de Energia S.A.		64,736	6,542
Parnaíba Geração e Comercialização S.A.		-	14,521
Pecém II Geração de Energia S.A.		45,078	1,463
	(b)	**196,681**	**36,739**
Bilateral energy trading agreements:			
Parnaíba Geração e Comercialização de Energia S.A.		-	6,967
Eneva Comercializadora de Energia Ltda.		30,274	27,700
Tauá Geração de Energia Ltda.		30	35
		30,304	**34,702**
Condensed gas trading contracts			
Eneva S.A.		2,150	-
		2,150	-
Expected Credit Loss			
Expected Credit Loss		(10,363)	(10,363)
		695,181	**357,883**

(a) The increase is directly related to the higher level of power dispatch, mainly in the last month of the quarter. The plants reached an average of approximately 97% of dispatch in the last quarter compared to 42% in the last quarter of 2018.

(b) The presented variation basically refers to: (i) success in the participation in bids of the operating reserves recomposition (RRO) modality, by Pecém II. The RRO mechanism is described in Note 25 - Operating revenue and (ii) increase of the operations of sale of ballast in Itaqui and Parnaíba I.0

The power market is an environment highly regulated, with mechanisms to mitigate the default risk of its agents. The market's financial security is ruled in the model of the multilateral and centralized clearing house.

The operations carried out within the scope of the Electricity Trade Chamber (CCEE) are accounted for and settled on a multilateral way, not indicating the party and the counterparty. This model benefits the agents individually and the stability of the market as a whole, minimizing the probability of negative impacts. Accordingly, all the agents ensure the operations to be settled.

Additionally, for contracts sold bilaterally, a risk analysis is carried out vis-à-vis the counterparties, before the operation, through audited information, market information and the company's current situation and, subsequently, through the registration of the contract with the CCEE and the monitoring of the company in relation to payments, in case of delay, the energy traded is not recorded and the counterparty will be left with an energy deficit, subject to the current energy price in the market (PLD) and the fine at the Energy Trading Chamber "CCEE".

In addition, there are other forms of risk management, such as contractual clauses, letter of guarantee, guarantee insurance and others.

There are no default accounts receivable and with loss expectation, except for the balance of Canabrava Enérgitica S.A., in the amount of R$ 10,363 thousand, whose provision for expected credit loss was fully recognized.

10. Inventories

The Company's inventories essentially include material or inputs to be consumed or transformed in the energy generation process and gas exploration. They are stated at the lower of cost and net realizable value. The measure of the inventories also includes any decrease at the net realizable value of these assets. The method to assess the inventories of inputs (mainly coal) is the weighted moving average method.

		Consolidated	
		2019	2018
Material, supplies and others		24,960	31,834
Coal	(a)	19,631	95,045
Electronic and mechanical parts	(b)	49,300	91,086
Lubricant and chemicals		8,320	7,765
		102,211	**225,730**

(a) Balance comprised of the stock of mineral coal, acquired by the subsidiary Itaqui Geração de Energia SA in the amount of R$ 16,530 (R$ 50,957 in 2018) and by Pecém II Geração de Energia SA in the amount of R$ 3,101 (R$ 44,088 in 2018) , as it is the main input in the generation of electricity, requiring the formation of a safety stock. The reduction from one year to the next is directly linked to the average energy dispatch in the last month of 2019 and the implementation of an input optimization strategy.

(b) This comprises electronic and mechanical parts for use and replace in the operations and maintenance carried out by the plants and UTG. The decrease is basically due to the reclassification of items identified as spare parts and/or equipment replacement parts to the appropriate lines of property, plant and equipment.

11. Lease

In the initial adoption of CPC 06 (R2), the Company used the modified retrospective approach, as this approach does not require comparative information and the right to use asset is measured at the same value as the lease liability. The standard defines that an agreement is or has a lease when it transfers the right to control the use of an identified asset, for a certain period, in exchange for a consideration.

Furthermore, the Company opted for adopting the recognition exemptions provided for by the standard for short term and low value leases.

The impact produced in the statements of operations as from the adoption of CPC 06 (R20 is the substitution of the straight-line cost with rentals (operating lease) for the straight-line cost of depreciation of the right of use of the assets object of these agreements and for the interest expense in the lease obligations calculated using the effective funding rates at the time these transactions were contracted.

Below, we present information about the recognition and measure, presentation and disclosure of lease operations used by the Company:

Recognition

The lease liability is initially measured at present value, less the incremental nominal interest rate of the group's loan, gross of PIS and COFINS, net of the following effects:

(a) Lease variable payments based on index or rate;

(b) Amounts paid by the lessee under residual values guarantees;

(c) Exercise price of a purchase option if the lessee is reasonably certain that it will exercise the option;

(d) Payments of fines for lease termination if the agreement terms contemplate the exercise of the option by the lessee; and

The assets of right of use are measured according to the following items:

(a) The initial measurement value of the lease liability;

(b) Any payments of leases made at the initial date or before less any lease incentives received;

(c) Any initial direct costs.

The payments of the short-term leases, as well as of the leases of low-cost goods, are recognized in the result as an expense or cost, because according to the standard they are exempt from being treated as leases.

Critical judgments in determining the lease term

In determining the lease term, management considers all the facts and circumstances that create an economical incentive for the exercise of an extension or termination option of a lease agreement. The extension options (or periods after the termination options) are included in the lease term only when there is reasonable certainty that the lease will be extended (or it will not be terminated).

This evaluation is reviewed in the case event or material change occurs in the circumstances that affect this evaluation and that is under the control of the lessee, whose financial effect is as follows:

11.1 Changes in the right of use - Asset

						Consolidated 2019
Right of use	Automobiles	Properties - exploration areas	Properties - administrative/operating properties	Machinery and Equipment	Services	Total
In 2018	-	-	-	-	-	-
Additions - initial adoption	4,200	11,523	26,395	51,476	677	**94,271**
Additions for new contracts	483	1,474	11,180	4,624	8,873	**26,634**
Adjustments for remeasurements	54	800	2,351	10,844	(131)	**13,918**
Write-offs	-	-	(6,790)	-	-	**(6,790)**
In 2019	**4,737**	**13,797**	**33,136**	**66,944**	**9,419**	**128,033**
Depreciation*						
In 2018	-	-	-	-	-	-
Addition	(1,723)	(549)	(3,386)	(24,303)	(3,686)	(33,647)
In 2019	**(1,723)**	**(549)**	**(3,386)**	**(24,303)**	**(3,686)**	**(33,647)**
Carrying amount						
In 2018	-	-	-	-	-	-
In 2019	3,014	13,248	29,750	42,641	5,733	94,386

*The depreciation is according to the contractual term of each asset.

11.2 Changes in lease - Liabilities

						Consolidated 2019
Lease liability	Automobiles	Properties - exploration areas	Properties - administrative/operating	Machinery and Equipment	Services	Total
In 2018	-	-	-	-	-	-
Additions - initial adoption (a)	4,200	11,523	26,395	51,476	677	**94,271**
Interest for the period	364	1,073	3,147	5,902	721	**11,207**
Additions for new contracts	483	1,474	11,180	4,624	8,873	**26,634**
Adjustments for remeasurements and exchange variation	54	802	2,351	12,990	(131)	**16,066**
Considerations paid	(1,934)	(1,379)	(4,059)	(28,469)	(3,782)	**(39,623)**
Write-offs	-	-	(6,790)	-	-	**(6,790)**
In 2019	**3,167**	**13,493**	**32,224**	**46,523**	**6,358**	**101,765**
Classification						
Current liabilities	1,978	906	2,575	22,698	3,374	**31,531**
Non-current liabilities	1,189	12,585	29,649	23,828	2,983	**70,234**

(a) The additions are substantially related to the initial adoption od CPC 06 (R2). The main agreements identified are as follows:

Machinery and equipment – The Company has lease agreements related to the activity of exploration and production of natural gas, located in the state of Maranhão. The term of these agreements are between 15 and 35 months. The recognized amount was measured less the contractual minimum payments remaining to the present value, using the average discount rate: of 10.34%.

Properties - administrative/operating – Eneva also has lease agreements of properties used as operating facilities and administrative offices, being the main agreement its headquarter in Rio de Janeiro, with remaining term of 117 months. The recognized amount was measured less the contractual minimum payments remaining to the present value, using the average discount rate: of 12.31%.

11.3 Contracts for term and discount rate

The discount rates were calculated based on risk-free interest rates observed in the Brazilian market, considering the terms of their contracts, adjusted to the reality of the Company ("credit spread"). The spread was obtained in two stages. First, through the difference between the average cost of Eneva's debts and standard Brazilian government bonds, and the second step consisted of calculating a guarantee proxy, which is a negative spread in the discount rate because Eneva's debts have guarantees. The proxy was calculated by the difference between interest rates in the American energy market for BBB rated assets against BBB- rated assets. The rates charged, vis-à-vis the terms of the contracts, are as follows:

Contracts' terms	Rate % p.a.
> 1 year	9.49
>3 years	11.03
>5 years	11.76
>10 years	12.35

11.4 Maturity of the contracts

The analysis of the lease liabilities' maturity is as follows:

Maturity of the installments	
2020	37,418
2021	25,015
2022	18,074
2023	9,135
2024	9,135
2025	9,135
2026	4,944
2027	4,944
2028	4,944
2029	4,941
2030 up to the last maturity	35,361
Undiscounted amounts	163,046
Embedded interest	(61,281)
Lease positive balances at 12/31/2019	**101,765**

11.5 PIS/COFINS

Currently, the company has 6 real estate and machinery and equipment lease agreements, which generate PIS/COFINS credit, based on the current tax legislation. The credits to be recovered are as follows:

Cash flows	Nominal	Adjusted at present value
Lease consideration	77,949	54,735
Potential PIS/Cofins (9.25%)	7,210	5,063

11.6 Real flow x nominal flow

In measuring and remeasuring its lease liabilities and the right to use assets, the Company used the discounted cash flow technique without considering the future inflation projected in the flows to be discounted, in accordance with the prohibition imposed by CPC 06 (R2).

In order to inform the impacts between the method required in said CPC and the finance practices commonly adopted by the market (recommended by CVM in Circular Letter No. 2/2019). We recalculated the leases including projected future inflation for comparative purposes in 2019 and obtained the following results:

Analysis of the impact of the differences	Accounted for according to CPC	CVM letter	Difference	%
Final balance leasing liability	101,765	115,115	(13,350)	13.12%
Finance costs	(11,207)	(13,039)	1,832	16.35%
Final balance right of use asset- net	94,386	107,852	(13,466)	14.27%
Depreciation expense	(33,647)	(35,678)	2,031	6.04%

The main changes in liabilities and the maturity basis after reperformance, for comparative purposes, are as follows:

Leasing liabilities - Nominal flow	2019
Opening balance	143,530
Finance costs (nominal interest)	13,039
Lease consideration	(39,622)
Future inflation not incorporated into the consideration	(1,832)
Closing balance	**115,115**

Maturity basis	
AVP installment	
2019	36,927
2020	34,498
2021	21,720
2022	12,353
2023	7,062
2024	6,551
2025	4,806
2026	3,059
2027	2,836
2028	2,626
2029	1,277
2030 up to the last maturity	9,815
Liabilities opening balance	**143,530**

The tables presented in this subitem are for information purposes only of the potential accounting impacts, thus showing only the impacts if the Accounting Pronouncements Committee allowed the use of market practices.

12. Deferred taxes recoverable

The current and deferred income tax and social contribution is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date of the Company's entities that operate and generate taxable income. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

The deferred income tax and social contribution assets are recognized based on the temporary differences between the carrying amount and the tax value of the assets and liabilities, as well as on the accumulated tax losses balance. The Company's projections show that the deferred tax assets will be realized up to 10 years. The tax losses do not expire in Brazil and the offset is limited to 30% of the taxable income for the year.

The deferred taxes on income are offset whenever there is a legally feasible right on the same taxable entity. The deferred tax assets arising from tax losses and temporary differences are not recognized when it is not probable that future taxable income is available against which they might be used.

The expenses with IRPJ and CSLL for the period are recognized in the statement of operations, except for transactions recognized directly as equity.

Taxes recoverable

The balance of the account Income Tax (IRPJ) and Social Contributions (CSLL) recoverable is as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Income tax	82,209	94,437	125,757	141,982
Social contribution	5,314	16,023	28,234	35,403
	87,523	**110,460**	**153,991**	**177,385**
Current	**30,346**	**46,632**	**92,544**	**107,391**
Non-current	**57,177**	**63,828**	**61,447**	**69,994**

The other taxes recoverable are as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
PIS (a)	18,010	16,994	18,817	18,342
COFINS (a)	84,347	79,618	88,064	85,808
Others	3,664	3,272	20,586	15,651
	106,021	**99,884**	**127,467**	**119,801**
Current	**6,752**	**14,568**	**25,391**	**30,874**
Non-current	**99,269**	**85,316**	**102,076**	**88,927**

(a) This balance includes the PIS/COFINS credits on the expenditures that comprise property, plant and equipment of the E&P segment, whose offset occurs proportionally to the depreciation/amortization charges.

Deferred taxes

Deferred taxes by company and nature are as follows:

	Consolidated					
	2019					
	Deferred asset				Deferred liability	Net
	Tax losses/Negative basis	Temporary differences	Total	Assets at fair value	Temporary differences	
Eneva (*)	308,371	16,095	324,466	78,062	(152,076)	250,452
Itaqui	171,559	46,895	218,454	-	(10,812)	207,642
Parnaíba I	-	32,877	32,877	-	(70,637)	(37,760)
PGC (**)	46,635	1,703	48,338	-	-	48,338
Parnaíba II	71,320	4,803	76,123	-	(30,548)	45,575
Energy trader	21,851	2	21,853	-	-	21,853
Eneva Participações	-	36	36	-	-	36
Pecém II Geração	98,694	2,124	100,818	-	(14,637)	86,181
Seival Geração	-	-	-	-	(11,178)	(11,178)
Termo Pantanal	-	-	-	-	(2,047)	(2,047)
	718,430	**104,535 (b)**	**822,965 (a)**	**78,062**	**(291,935) (c)**	**609,092**
Net deferred asset						**660,077**
Net deferred liability						**(50,985)**

(*) In 2019, there was an increase in deferred IRPJ/CSL assets due to changes in the projected recoverability of said assets.

(*) Constitution of deferred IRPJ/CSL assets due to changes in the projected recoverability of said assets.

	Consolidated					
	2018					
	Deferred asset				Deferred liability	Net
	Tax losses/Negative basis	Temporary differences	Total	Assets at fair value	Temporary differences	
Eneva	246,203	15,608	261,811	78,062	(161,582)	178,291
Itaqui	155,101	58,617	213,718	-	(649)	213,069
Parnaíba I	-	32,390	32,390	-	(64,639)	(32,249)
Parnaíba II	79,813	5,982	85,795	-	(21,661)	64,134
Energy trader	21,851	2	21,853	-	-	21,853
Eneva Participações	-	36	36	-	-	36
Pecém II Geração	102,325	1	102,326	-	(7,248)	95,078
Seival Geração	-	-	-	-	(11,178)	(11,178)
Termo Pantanal	-	-	-	-	(2,047)	(2,047)
	605,293	**112,636(b)**	**717,929**	**78,062**	**(269,004)(c)**	
Net deferred asset						**572,461**
Net deferred liability						**(45,474)**

(a) For the year ended December 31, 2019, the total deferred tax credits arising from deferred IRPJ and CSL on the balance of tax loss and CSL negative basis is R$ 1,084,049. The amount effectively constituted based on the future taxable income generation estimative is as follows:

	2020	2021	2022	2023	2024	From 2025 to 2027	From 2028 to 2029	Total
Expectation of realization of the deferred taxes	57,899	88,670	69,923	82,177	106,192	304,098	114,006	**822,965**

(b) Temporary differences per nature (asset) are as follows:

	2019	2018
Undeductible provisions	32,281	29,510
Pre-operating expenses - RTT (1)	72,254	83,126
Assets - temporary differences	**104,535**	**112,636**

(1) Constituted on balance of pre-operating expenditures that, due to the Transition Tax System, now are controlled in Lalur Part B and, consequently, have been excluded for the purposes of determination of taxable income since the beginning of the operations, in monthly and fixed quotas, in the maximum term of 10 years.

(c) Temporary differences per nature (liability) are as follows:

	2019	2018
Accelerated depreciation	126,633	94,198
Gain for advantageous purchase	105,573	110,836
Assets' added value	29,236	31,431
Fair value adjustment	30,493	32,539
Liability - temporary differences	**291,935**	**269,004**

On December 31, 2019, the taxes calculated on net income comprise Income Tax (rate of 15% and additional 10%) and Social Contribution (rate of 9%). The conciliation of the expense calculated using the combined statutory tax rate and of the expense of income tax and social contribution expense is as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Result for the year before income tax and social contribution	545,922	547,124	556,459	613,758
Nominal rate - %	34%	34%	34%	34%
Income tax and social contribution at nominal rate	(185,613)	(186,022)	(189,196)	(208,678)
Result in equity-accounted investments	143,507	183,712	(1,053)	(3,020)
Subsidy for investment - ICMS (a)	21,042	-	21,042	-
Permanent differences	(2,004)	(2,394)	3,674	(6,755)
Not constituted tax asset (b)	(6,770)	(54,155)	20,021	12,086
Benefit reduction SUDENE and PAT (c)	10,726	-	51,053	63,013
Write-off of the deferred on Tax losses/Negative basis	-	-	-	(23,589)
Write-off of Deferred Liability on Added Value	-	153,405	-	153,405
Constitution of the deferred (d)	73,988	246,203	137,080	288,003
Income tax and social contribution as per statement of operations	54,876	340,749	42,621	274,465
Current income tax and social contribution expenses	(17,280)	-	(39,483)	(35,912)
Deferred Income Tax and Social Contribution(d)	72,156	340,749	82,104	310,377
Total	**54,876**	**340,749**	**42,621**	**274,465**
Effective rate	**(10.05%)**	**(62.28%)**	**(7.66%)**	**(44.72%)**

(a) Subsidy for investment related to the tax incentive in the State of Maranhão, granted by the Law No. 9,463/2011, which consists of ICMS presumed credit in the outlets of natural gas for the natural gas driven thermal plants.

(b) This refers to the portion of deferred taxes of subsidiaries that were not recorded due to uncertainties regarding its recovery.

(c) The most material amount refers to the regional tax benefit granted by Sudene, which results in decrease of up to 75% of income tax in a 10-year period.

(d) Deferred tax assets arising from tax losses and negative bases of Social Contribution were recognized, based on economic and financial projections, prepared based on internal assumptions and macroeconomic, commercial and tax scenarios whose realization will take place within a maximum period of 10 years.

13. Investments

13.1 Breakdown of the balances

	Parent Company		Consolidated	
	2019	2018	2019	2018
Equity interests	4,405,841	3,716,465	5,330	3,865
Advance for future capital increase	356,601	1,937	-	-
Future acquisition of investment	95	95	-	-
	4,762,537	**3,718,497**	**5,330**	**3,865**

The Company’s equity interests include the (direct and indirect) subsidiaries, joint-ventures and the associated companies. On December 31, 2019 and 2018, the balances of the main accounts groups of the investees are as follows:

Subsidiaries (direct and indirect)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Result
						2019
Gas-fired thermal plants						
Azulão Geração de Energia S.A	4,773	245,925	40,712	851	209,135	(1,021)
Parnaíba Geração e Comercialização de Energia S.A (i)	11,295	407,223	65,754	8,280	344,484	21,844
Parnaíba I Geração de Energia S.A	421,170	1,063,555	229,356	864,379	390,990	107,794
Parnaíba II Geração de Energia S.A.	445,546	1,604,374	202,312	897,616	949,992	88,249
Upstream						
Parnaíba B.V.	6,012	167,404	78,962	-	94,454	64
Coal-fired thermal plants						
Itaqui Geração de Energia S.A.	320,551	2,269,408	284,486	815,265	1,490,208	168,129
Pecém II Geração de Energia S.A	315,039	1,811,660	223,787	891,113	1,011,799	29,854
Pecém II Participações S.A	1,993	1,011,799	497	3,516	1,009,779	29,767
Energy trade						
Eneva Comercializadora de Energia Ltda (i)	67,040	62,434	59,499	3,384	66,591	12,837
Others						
Amapari Energia S.A.	46,197	473	3,565	46,318	(3,213)	(3,505)
Eneva Participações S.A.	383	526,849	5,127	35,800	486,305	31,701
Jandaíra Ventos S.A.	-	-	-	-	-	(20)
Jandaíra II Ventos S.A.	-	-	-	-	-	(18)
MPX Energia GMBH	398	-	-	-	398	-
SPE´s Ventos (i)	1	1,937	25	583	1,330	(849)
Seival Geração de Energia Ltda (i)	3	2,730	201	23,793	(21,261)	2,685
Sul Geração de Energia Ltda. (i)	-	13,134	97	1,013	12,024	(272)
Termopantanal Ltda.	10	7,464	1	9,731	(2,258)	-
Termopantanal Participações Ltda.	10	400	1	2,726	(2,317)	-
Tauá Geração de Energia Ltda (i)	58	19,056	10,458	1,597	7,059	(1,885)
Joint ventures						
Centrais Termelétricas São Marcos S.A.	1,343	-	733	-	610	(1,391)
MABE Construção e Administração de Projetos Ltda.	78,043	10,817	18,883	92,070	(22,093)	6,380
PO&M - Pecém Operação e Manutenção de Geração Elétrica	7,046	2,345	4,087	4,437	867	369
Porto do Pecém Transportadora de Minérios S.A.	18,031	6,117	13,107	1,857	9,184	2,063

(i) As presented in Note “1 - Operations”, Eneva S.A. has direct interest in these subsidiaries and indirect interest, through the subsidiary Eneva Participações S.A. In the tables above we showed 100% interest considering the Company’s final interest.

						2018
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Result
Subsidiaries (direct and indirect)						
Gas-fired thermal plants						
Azulão Geração de Energia S.A	3	10	1	11	1	(11)
Parnaíba Geração e Comercialização de Energia S. A	70,599	4,515	44,184	146,556	(115,626)	(39,709)
Parnaíba I Geração de Energia S.A	316,542	1,073,156	110,205	967,111	312,382	71,543
Parnaíba II Geração de Energia S.A.	490,980	1,740,684	156,990	1,212,931	861,743	121,121
Upstream						
Parnaíba B.V.	20,697	145,574	74,007	-	92,264	(99)
Coal-fired thermal plants						
Itaqui Geração de Energia S.A.	312,572	2,182,141	208,106	960,611	1,325,996	74,145
Pecém II Geração de Energia S.A	250,055	1,830,388	204,945	893,553	981,945	108,213
Pecém II Participações S.A	11	1,972	497	3,420	(1,934)	108,183
Energy trade						
Eneva Comercializadora de Energia Ltda	62,732	41,086	41,864	8,200	53,754	(11,244)
Others						
Amapari Energia S.A.	4,890	1,166	31,198	2,174	(27,316)	715
Centrais Termelétricas São Marcos S.A.	1	-	-	-	1	-
Eneva Participações S.A.	14,589	41,460	35,150	126,925	(106,026)	(14,959)
MPX Energia GMBH	398	-	-	-	398	-
SPE´s Ventos	1	1,970	45	461	1,465	(776)
Seival Geração de Energia Ltda	3	-	3	-	-	(71)
Sul Geração de Energia Ltda.	-	13,391	97	1,014	12,280	(78)
Termopantanal Ltda.	10	7,464	1	9,731	(2,258)	-
Termopantanal Participações Ltda.	10	400	1	2,726	(2,317)	-
Tauá Geração de Energia Ltda	132	7,565	479	1,398	5,820	(1,169)
Joint ventures						
MABE Construção e Administração de Projetos Ltda.	78,854	10,675	19,033	86,210	(15,714)	(7,166)
PO&M - Pecém Operação e Manutenção de Geração Elétrica	7,489	420	3,274	-	4,635	955
Porto do Pecém Transportadora de Minérios S.A.	15,033	2,841	9,366	-	8,508	1,327

13.2 Changes in investment- equity value

	%	In 2018	Transfer of unsecured liability	Capital payment	Advance for future capital increase	Equity in the result of investees	Amortization	Dividends and interest on capital	Available-for-sale investment	PGC interest	Carrying value adjustment	In 2019
Investment												
Gas-fired thermal plants												
Azulão Geração de Energia S. A	99.90%	1	-	187,853	22,092	(1,020)	-	-	-	-	-	**208,926**
Parnaíba Geração e Comercialização de Energia S.A	30.00%	-	(34,688)	115,874	15,605	6,553	-	-	-	25,070	-	**128,414**
Parnaíba I Geração de Energia S.A.	100.00%	312,383	-	-	-	107,793	-	(29,186)	-	-	-	**390,990**
Parnaíba II Geração de Energia S.A.	88.85%	765,659	-	-	-	78,409	-	-	-	-	-	**844,068**
Upstream												
Parnaíba B.V.	100.00%	92,263	-	196	-	64	-	-	-	-	2,046	**94,569**
Coal -fired thermal plants												
Itaqui Geração de Energia S.A.	100.00%	1,322,079	-	-	-	168,129	-	-	-	-	-	**1,490,208**
Pecém II Participações S.A.	100.00%	980,010	-	-	2	29,766	-	-	-	-	-	**1,009,778**
Others												
Eneva Participações S.A.	100.00%	200,125	-	-	318,858	31,701	-	-	-	-	-	**550,684**
Future acquisition of investment	-	95	-	-	-	-	-	-	-	-	-	**95**
MPX Energia Gmbh	100.00%	398	-	-	-	-	-	-	-	-	-	**398**
Sul Geração de Energia Ltda.	50.00%	-	-	-	8	(136)	-	-	6,141	-	-	**6,013**
Jandaira Ventos S.A.	99.90%	-	-	1	19	(20)	-	-	-	-	-	**-**
Jandaira II Ventos S.A.	99.90%	-	-	1	17	(18)	-	-	-	-	-	**-**
Porto do Pecém Transportadora de Minérios S.A.	50.00%	3,615	-	-	-	1,369	-	(392)	-	-	-	**4,592**
Pecém Oper. e Manutenção de Ger. Elétrica S.A.	50.00%	249	-	-	-	184	-	-	-	-	-	**433**
Centrais Termelétricas São Marco S.A.	50.00%	-	-	1,000	-	(696)	-	-	-	-	-	**304**
Added value and loss of assets												
Gas-fired thermal plants												
Parnaíba Geração e Comercialização de Energia S.A	30.00%	-	10,942	-	-	-	(464)	-	-	-	-	**10,478**
Coal -fired thermal plants												
Pecém II Participações S.A.	100.00%	(140,151)	-	-	-	-	(6,456)	-	-	-	-	**(146,607)**
Right of use												
Gas-fired thermal plants												
Parnaíba II Geração de Energia S.A.	88.85%	42,769	-	-	-	-	(4,454)	-	-	-	-	**38,315**
Coal -fired thermal plants												
Itaqui Geração de Energia S.A.	100.00%	12,616	-	-	-	-	(511)	-	-	-	-	**12,105**
Others												
Eneva Participações S.A.	100.00%	126,386	-	-	-	-	(7,612)	-	-	-	-	**118,774**
Total Investments		**3,718,497**	**(23,746)**	**304,925**	**356,601**	**422,078**	**(19,497)**	**(29,578)**	**6,141**	**25,070**	**2,046**	**4,762,537**

13.3 Breakdown of equity in the results of investees

	Parent Company	
	2019	2018
Equity in the result of investees	422,078	536,758
Result of Unsecured Liability	(4,975)	(19,415)
Amortization of assets at fair value	(19,497)	(28,162)
	397,606	**489,181**

13.4 Breakdown of non-controlling interest

The non-controlling stockholders' interest in equity and in the result of the investees is as follows:

		2019		2018	
Investments	Interest	Equity	Result	Equity	Result
Amapari Energia S.A.	49.00%	(1,580)	(1,718)	(13,385)	350
Termopantanal Participações	33.33%	(773)	-	(773)	-
Total		**(2,353)**	**(1,718)**	**(14,158)**	**350**

13.5 Unsecured liability

On December 31, 2019 and 2018, Eneva group has subsidiaries with uncovered liabilities (negative equity).

Changes in the balance for the current year are as follows:

Company	In 2018	Transfer for investment	Capital payment	Provision for uncovered liability	Transfer to loans (i)	In 2019
Subsidiaries (direct and indirect)						
Gas-fired thermal plants						
Parnaíba Geração e Comercialização de Energia S.A.	(34,688)	34,688	-	-	-	-
Others						
Amapari Energia S.A.	(13,928)	-	14,076	(1,787)	-	(1,639)
Termopantanal Participações Ltda	(1,546)	-	-	-	-	(1,546)
Joint ventures						
MABE Construção e Administração de Projetos Ltda	-	-	-	(3,188)	3,188	-
Added value and loss of assets						
Parnaíba Geração e Comercialização de Energia S.A.	(10,942)	10,942	-	-	-	-
Total Unsecured liability	**(61,104)**	**45,630**	**14,076**	**(4,975)**	**3,188**	**(3,185)**

(i) The balance was reclassified to loan held between Eneva and the joint-venture Mabe, being an investment extension and in compliance with the technical standards CPC 18 (R2) (IAS 28) - Investment in Associate, Subsidiary and Joint-venture).

13.6 Impairment assessment

The Company assesses the recoverability of the investments in associates and joint ventures annually or whenever there is an indicative of devaluation.

When applying the impairment test, the carrying amount of the investment, including goodwill, is compared with its recoverable amount.

The recoverable amount used by the Company is the value in use, proportional to the participation in the present value of the estimated future cash flows of the associate or joint venture, representing future flows of dividends and other distributions.

For goodwill of indefinite useful life, the annual impairment test is described in Note 15.2 - “Intangible assets”, where this amount is presented in the consolidated balance sheet.

14. Property, plant and equipment

14.1 Breakdown of the balances

	Land	Buildings, civil constructions, improvements	Machinery and equipment	Computer equipment	Vehicles	Furniture and utensils	PPE E&P	Provision for impairment	PPE in course	Right of use	Consolidated 2019 Total
Cost											
At 12/31/2018	**10,575**	**3,143,449**	**4,399,763**	**15,235**	**3,124**	**41,239**	**2,514,369**	**(418,141)**	**738,844**	**-**	**10,448,457**
Additions	3,024	3,504	29,008	705	-	396	31,606	1,220	656,210	-	725,673
Additions CPC 06 (R2) / IFRS 16	-	-	-	-	-	-	-	-	-	128,033	128,033
Additions inventory reclassification	-	-	-	-	-	-	-	-	40,273	-	40,273
Changes MTM	-	-	-	-	-	-	-	-	(33,640)	-	(33,640)
Write-offs	-	(6,164)	-	-	-	-	-	-	(1,706)	-	(7,870)
Write-offs - Inventory adjustment	-	(2,078)	(5,119)	(2,183)	(355)	(2,300)	-	-	-	-	(12,035)
Dry well	-	-	-	-	-	-	-	-	(36,986)	-	(36,986)
Supplier prepayment	-	-	-	-	-	-	-	-	358,174	-	358,174
PIS/COFINS credit	-	-	-	-	-	-	-	-	(5,355)	-	(5,355)
Transfers	-	-	(94,492)	-	-	-	-	-	94,492	-	-
Reversal of provision for impairment	-	-	-	-	-	-	-	127,114	-	-	127,114
Transaction cost 2nd issuance of debentures 3rd series	-	-	-	-	-	-	-	-	214	-	214
Interest 2nd issuance of debentures 3rd series	-	-	-	-	-	-	-	-	15,449	-	15,449
Monetary variation 2nd issuance of debentures 3rd series	-	-	-	-	-	-	-	-	9,407	-	9,407
At 12/31/2019	**13,599**	**3,138,711**	**4,329,160**	**13,757**	**2,769**	**39,335**	**2,545,975**	**(289,807)**	**1,835,376**	**128,033**	**11,756,908**
Depreciation											
At 12/31/2018	**-**	**(552,750)**	**(910,072)**	**(9,626)**	**(2,591)**	**(13,572)**	**(1,056,247)**	**26,320**	**-**	**-**	**(2,518,538)**
Additions	-	(108,746)	(190,332)	(1,807)	(397)	(2,087)	(101,872)	(80)	-	-	(405,321)
Additions CPC 06 (R2) / IFRS 16	-	-	-	-	-	-	-	-	-	(33,647)	(33,647)
Write-offs	-	1,183	-	-	-	-	-	-	-	-	1,183
Write-offs - Inventory adjustment	-	412	1,774	1,833	236	764	-	-	-	-	5,019
At 12/31/2019	**-**	**(659,901)**	**(1,098,630)**	**(9,600)**	**(2,752)**	**(14,895)**	**(1,158,119)**	**26,240**	**-**	**(33,647)**	**(2,951,304)**
Carrying amount											
At 12/31/2018	**10,575**	**2,590,699**	**3,489,691**	**5,609**	**533**	**27,667**	**1,458,122**	**(391,821)**	**738,844**	**-**	**7,929,919**
At 12/31/2019	**13,599**	**2,478,810**	**3,230,530**	**4,157**	**17**	**24,440**	**1,387,856**	**(263,567)**	**1,835,376**	**94,386**	**8,805,604**

	Land	Buildings, civil constructions, improvements	Machinery and Equipment	Computer equipment	Vehicles	Furniture and utensils	PPE E&P	Provision for impairment	PPE in course	Consolidated 2018 Total
Cost										
At 12/31/2017	**10,575**	**2,366,250**	**2,655,560**	**11,131**	**2,798**	**38,636**	**2,403,639**	**(418,141)**	**635,574**	**7,706,022**
Additions	-	3,331	6,129	848	183	820	27,881	-	212,268	251,460
Additions Pecém II	-	1,000,743	1,595,409	1,280	63	952	-	-	40,958	2,639,405
Changes MTM	-	-	-	-	-	-	-	-	(74)	(74)
Added Value Additions - Pecém II	-	-	94,052	-	-	-	-	-	-	94,052
Write-offs	-	(16)	(11,773)	-	-	(6)	-	-	(4,374)	(16,169)
Loss write-off – Pecém II	-	(229,594)	-	-	-	-	-	-	-	(229,594)
Dry well	-	-	-	-	-	-	-	-	(38,175)	(38,175)
Capitalized interest	-	-	-	-	-	-	-	-	418	418
Supplier prepayment	-	-	-	-	-	-	-	-	(22)	(22)
Provision for abandonment	-	-	-	-	-	-	(2,690)	-	(880)	(3,570)
Pis/Cofins	-	-	-	-	-	-	-	-	2,983	2,983
PPE Reserve	-	-	(518)	-	-	-	-	-	20,862	20,344
Translation	-	-	-	-	-	-	21,949	-	-	21,949
Transfers	-	2,735	61,476	1,976	80	837	63,590	-	(130,694)	-
Decommissioning	-	-	(572)	-	-	-	-	-	-	(572)
At 12/31/2018	**10,575**	**3,143,449**	**4,399,763**	**15,235**	**3,124**	**41,239**	**2,514,369**	**(418,141)**	**738,844**	**10,448,457**
Depreciation										
At 12/31/2017	**-**	**(384,741)**	**67,454**	**(6,937)**	**(1,169)**	**(12,564)**	**(941,574)**	**26,320**	**-**	**(1,253,211)**
Additions	-	(104,824)	(162,268)	(2,058)	(403)	(861)	(114,673)	-	-	(385,087)
Additions Pecém II	-	(63,185)	(826,417)	(631)	(1,019)	(150)	-	-	-	(891,402)
Write-offs	-	-	11,315	-	-	3	-	-	-	11,318
Translation	-	-	(156)	-	-	-	-	-	-	(156)
At 12/31/2018	**-**	**(552,750)**	**(910,072)**	**(9,626)**	**(2,591)**	**(13,572)**	**(1,056,247)**	**26,320**	**-**	**(2,518,538)**
Carrying amount										
At 12/31/2017	**10,575**	**1,981,509**	**2,723,014**	**4,194**	**1,629**	**26,072**	**1,462,065**	**(391,821)**	**635,574**	**6,452,811**
At 12/31/2018	**10,575**	**2,590,699**	**3,489,691**	**5,609**	**533**	**27,667**	**1,458,122**	**(391,821)**	**738,844**	**7,929,919**

Recognition and measurement

Items of property, plant and equipment are measured at the historic cost of acquisition or construction, less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets built by the Company itself includes:

- The cost of materials and direct labor;
- Any other costs to bring the asset to its location and condition necessary so it can be operated as intended by Management;
- The dismantling costs, and the restoration of the site where these assets are located; and
- Costs of loans and debentures that are capitalized as part of property, plant and equipment if these costs were directly related to the construction of a qualifying asset. Capitalization occurs until the qualified asset is ready for its intended use.

The gains and losses deriving from the sale of property, plant and equipment (determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment), are recorded net amongst other revenue/expense figures in the statement of operations.

Subsequent costs

Subsequent costs are capitalized to the extent that it is probable that future benefits associated with these costs are accrued by the Company. Recurring repairs and maintenance are charged to the statement of operations.

Depreciation

The depreciation is calculated on a straight-line basis during the assets' estimated useful lives, as follows:

PPE items	Depreciation range
Buildings and improvements	From 25 to 50 years
Computer equipment	6 years
Machinery and Equipment	From 5 to 40 years
Furniture and Utensils	16 years
Vehicles	7 years

Depreciation of Generation PPE

Items of generation property, plant and equipment are depreciated by the straight-line method in the statement of operations for the year, based on the useful estimated economic life of each component, as from the beginning of its operation.

Depreciation of PPE at the Exploration and Production stage - (E&P)

The E&P property, plant and equipment is depreciated as from the declaration of commerciality and beginning of the production by the produced units method.

Annually, the volume of 2P reserves of each field is certified by international class company, and based on this information, the Company maintains its depreciation records for produced units.

It is as follows:

	2019	2018
Campo Gavião Real		
Recoverable amount in billions m³ (*)	9.6701	9.6300
Field's accumulated production in billions of m³	(6.7596)	(6.5367)
Total	**2.9105**	**3.0933**
Campo Gavião Vermelho		
Recoverable amount in billions m³ (*)	2.2438	2.2400
Field's accumulated production in billions of m³	(1.0193)	(0.8882)
Total	**1.2245**	**1.3518**
Campo Gavião Branco		
Recoverable amount in billions m³ (*)	7.1902	6.9290
Field's accumulated production in billions of m³	(2.2157)	(1.9950)
Total	**4.9745**	**4.9340**
Campo Gavião Caboclo		
Recoverable amount in billions m³ (*)	4.7180	4.7190
Field's accumulated production in billions of m³	(0.9726)	(0.4912)
Total	**3.7454**	**4.2278**
Campo Gavião Azul		
Recoverable amount in billions m³ (*)	1.3801	0.9680
Field's accumulated production in billions of m³	(0.0498)	(0.0153)
Total	**1.3303**	**0.9527**

(*) On January 8, 2020, the independent consultancy Gaffney, Cline & Associates, Inc (GCA) issued a new Audit Executive Report of the Natural Gas Reserves of the nine fields declared as commercial in Parque dos Gaviões, in the Parnaíba Basin, and one field in the Amazonas Basin.

According to the criteria of the Petroleum Resources Management System (PMRS), GCA certified the natural gas reserve, according to the Table 1 below:

Natural gas reserves of the nine fields of the Parnaíba Basin and one field of the Amazonas Basin

Reserves categories	Fields' gas gross volume (100% WI) (Bm³)	Eneva's Gas Reserves (100% WI) (Bm³)
Proved Developed	13.1	12.8
Proved Not developed	11.8	11.5
Total (1P)	**24.9**	**24.3**
2P	28.2	27.7
3P	31.9	31.1

Proven Reserves - these are reserves that can be produced with a high level of guarantee.

Unproven reserves - these are based on geological and engineering data similar to those used to calculate proven reserves. However, due to technical, contractual or regulatory uncertainties, proven reserves are not included.

Developed reserves - these are those able to be recovered, whose necessary investments in infrastructure for production have already been carried out.

Undeveloped reserves - these are those in which the entire development plan needs to be implemented.

The production guarantee levels are as follows:

1P - High production guarantee level;

2P - Probable production reserves, attributable to 50% in the guarantee level;

3P - Possible production reserves, attributable to 10% in the guarantee level.

14.2 Impairment assessment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs).

Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date. Impairment of goodwill recognized in income for the year is not reversed.

The Company assesses that each Thermal Generation plant (Gas and Coal) and the Natural Gas production unit constitute the Cash Generating Units.

We performed a recoverability test only for Itaqui Geração de Energia S.A, as we identified an indication of a possible reversal of the impairment constituted in previous years. The recoverability test is presented in Note 15.2. For the other companies, no tests were performed, as no signs of devaluation were identified.

15. Intangible assets

15.1 Breakdown of balances - Intangible assets

								Consolidated
								2019
	Computer licenses and software	E&P Intangible assets	Right of use	Awards and CCEARs	Right of use in the acquisition of investments	Right of use of undefined useful life assets (a)	Intangible assets in course	Total
Amortization rate % p.a.	20							
Cost								
At 12/31/2018	**33,101**	**472,359**	**90,592**	**183,449**	**754,590**	**73,497**	**31,930**	**1,639,518**
Additions	72	-	-	-	-	-	5,005	5,077
At 12/31/2019	**33,173**	**472,359**	**90,592**	**183,449**	**754,590**	**73,497**	**36,935**	**1,644,595**
Amortization								
At 12/31/2018	**(21,953)**	**(13,868)**	**(33,120)**	**(66,320)**	**(64,053)**	**-**	**-**	**(199,314)**
Additions	(3,858)	(9,582)	(3,066)	(12,224)	(34,745)	-	-	(63,475)
At 12/31/2019	**(25,811)**	**(23,450)**	**(36,186)**	**(78,544)**	**(98,798)**	**-**	**-**	**(262,789)**
Carrying amount								
At 12/31/2018	**11,148**	**458,491**	**57,472**	**117,129**	**690,537**	**73,497**	**31,930**	**1,440,204**
At 12/31/2019	**7,362**	**448,909**	**54,406**	**104,905**	**655,792**	**73,497**	**36,935**	**1,381,806**

								Consolidated
								2018
	Computer licenses and software	E&P Intangible assets	Right of use	Awards and CCEARs	Right of use in the acquisition of investments	Right of use of undefined useful life assets	Intangible assets in course	Total
Amortization rate % p.a.	20							
Cost								
At 12/31/2017	**30,725**	**274,709**	**90,592**	**183,448**	**783,089**	**73,497**	**26,687**	**1,462,747**
Additions	1,239	-	-	-	-	-	3,385	4,624
Additions Acquisition (Pecém II)	1,137	-	-	-	-	-	-	1,137
Additions Campo Azulão	-	197,650	-	-	-	-	-	197,650
Write-offs	-	-	-	-	(28,498)	-	-	(28,498)
Round 14 cost	-	-	-	-	-	-	1,858	1,858
At 12/31/2018	**33,101**	**472,359**	**90,592**	**183,448**	**754,591**	**73,497**	**31,930**	**1,639,518**
Amortization								
At 12/31/2017	**(16,029)**	**16,098**	**(27,844)**	**(54,096)**	**(61,435)**	**-**	**-**	**(143,306)**
Additions	(5,548)	(29,966)	(5,276)	(12,224)	(6,402)	-	-	(59,416)
Additions Acquisition (Pecém II)	(376)	-	-	-	-	-	-	(376)
Write-offs	-	-	-	-	3,784	-	-	3,784
At 12/31/2018	**(21,953)**	**(13,868)**	**(33,120)**	**(66,320)**	**(64,053)**	**-**	**-**	**(199,314)**
Carrying amount								
At 12/31/2017	**14,696**	**290,807**	**62,748**	**129,352**	**721,654**	**73,497**	**26,687**	**1,319,441**
At 12/31/2018	**11,148**	**458,491**	**57,472**	**117,128**	**690,538**	**73,497**	**31,930**	**1,440,204**

Intangible assets are measured at total acquisition cost and/or construction less the amortization expenses and accumulated losses due to impairment, when applicable.

The amortization is calculated on the assets value, recognizing in the result on a straight-line basis in relation to the estimated useful lives of the assets as from the date when these assets are available for use, excepting for the Signature Bonus paid by the concession areas for exploration of natural gas that are amortized based on the produced units. These methods are the best to reflect the consumption standard of future economic benefits incorporated into the different assets.

Concession Agreements for the Exploration and Production of Oil and Natural Gas

On December 31, 2019, Eneva S.A. holds the following concessions:

No.	Block/Contract	ANP Round	Operator	% Eneva	% Eneva Participações
1	BT-PN-1	9th	ENEVA	100%	-
2	BT-PN-4	9th	ENEVA	100%	-
3	BT-PN-5	9th	ENEVA	100%	-
4	BT-PN-7	9th	ENEVA	100%	-
5	BT-PN-8	9th	ENEVA	100%	-
6	PN-T-69_R13	13th	ENEVA	100%	-
7	PN-T-87_R13	13th	ENEVA	100%	-
8	PN-T-103_R13	13th	ENEVA	100%	-
9	PN-T-146_R13	13th	ENEVA	100%	-
10	PN-T-163_R13	13th	ENEVA	100%	-
11	PN-T-117_R14	14th	ENEVA	100%	-
12	PN-T-118_R14	14th	ENEVA	100%	-
13	PN-T-119_R14	14th	ENEVA	100%	-
14	PN-T-133_R14	14th	ENEVA	100%	-
15	PN-T-134_R14	14th	ENEVA	100%	-
16	BA-3A	-	ENEVA	100%	-

All the supply operations in natural gas commercial operation and lease of capacity of gas treatment unit (GTU) is carried out with the counterparties: Parnaíba I Geração de Energia S.A., Parnaíba II Geração de Energia S.A.

(a) **Undefined useful life intangible assets**

Goodwill arises from acquisitions of subsidiaries and is recorded in the "Use of investment right" account in the parent company financial statements and in the intangible group in the consolidated financial statements. This is the excess of the installment paid by Eneva (acquirer) due to the expectation of generating future profits by the acquired companies.

The Goodwill recorded by the Company was generated on the acquisition of 50% of Eneva Participações, during the capital increase carried out in November 2015 and originates from the investment of this company in Parnaíba III and Parnaíba IV, merged by Parnaíba II in 2018. Its realization occurs at the time of write-off due to sale or loss of investments held in the investee, therefore its useful life is classified as indefinite.

The recoverable value of goodwill is annually evaluated, regardless there are impairment indicators.

For the purpose of this test, the goodwill is transfered to the Cash-Generating Units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Impairment was not identified for 2019. On December 31, 2019 and 2018, the assets classified with indefinite useful life amounted to R$ 73,497 thousand.

15.2 Impairment assessment

Property, plant and equipment of Itaqui Geração de Energia S.A. and the indefinite useful life intangible assets were submitted to impairment tests, considering the value in use model, based on the cash flow present value by cash generating unit.

It is worth mentioning that this CGU has been constantly improving its operational performance, as a result of investments in process improvement and preventive maintenance. In addition, the normalization of the dispatch curve, after a period of water crisis that occurred at the beginning of the operation of this asset, also contributed to the stabilization of this asset. As a result of the impairment tests, the amount of R$ 127,114 was reversed, referring to the impairment recorded in previous years related to Itaqui Geração de Energia S.A.

The key assumptions of the recoverable value tests are described below, being uniform among the tested assets and having been approved by the Management.

Approach: Operating cash flows were projected, expressed in nominal terms (considering the inflation effects of the economy) and presented in local currency, Reais (R$).

Deadline: The projection begins in 2020 and goes through up to the final period of the cash generating units authorization (2043), Companies, for both companies.

In the energy generation assets, the useful life is defined by the plants operating capacity and by the effective award period granted by the Federal Government. The Plants have Power Purchase Agreement (PPA– signed by each UGC with term between 15 and 20 years, ending in 2026 (Itaqui) and 2035 (Parnaíba II).

For the complementary period that goes up to the end of the projection period (2043), the continuity of the operations under the availability system was the assumption assumed and the effective trade agreements were used as the best estimates to forecast the operation flows.

Sales price: The used reference are the current contractual conditions up to the end of the useful life of the assets, indexed by the inflation (IPCA).

The price assumption assumed for the 2nd asset monetization cycle, i.e., the period between the end of the current Regulated Environmental Energy Trading Agreement (CCEAR) of the Company (ending in 2026 for

Itaqui and 2035 for Parnaíba II) and the authorization term for power generation granted by ANEEL, was the weighted average of the prices practiced in auctions of new energy (with technical characteristics similar to those held by the group's generators) carried out in the last 5 years in the Brazilian electric sector. Additionally, we include a discount on the price of the 2nd monetization cycle as a way of estimating the increase in market competitiveness and the maturation of energy sources.

Maintenance CAPEX and Overhaul: Maintenance investments were projected according to the budget cycle, indexed by the inflation (IPCA). These are expenditures with straight behavior along the years, except for overhaul expenditures that occur at each 32 thousand hours cycle.

Discount rate: The Company uses the Capital Weighted Average Cost (CPMC) in nominal terms, considering inflation effects, as follows:

	Itaqui	**Parnaíba II**
Nominal CMPC (after tax)	7.5%	7.0%
Nominal CMPC (before tax)	8.5%	7.9%

The rates presented above were adjusted during the projection, considering the evolution of the specific indebtedness structure of the CGU and the evolution of the tax rates and of the inflation assumptions.

For goodwill of indefinite useful life, it was not necessary to set up a provision for impairment on December 31, 2019.

16. Borrowings and financings

													Consolidated
									2019				2018
Company	Creditor	Currency	Interest rates	Effective rates for the year	Maturity	Funding costs to appropriate	Principal	Interest	Total	Funding costs to appropriate	Principal	Interest	Total
Gas-fired thermal plants													
Parnaíba II	Itaú Unibanco (indirect)	R$	TJLP+5.15%	-	9/15/2027	-	-	-	-	-	236,057	1,042	237,099
Upstream													
Eneva	FINEP	R$	TJLP+3.00%	8.73%	3/15/2025	-	60,602	222	60,824	-	70,009	269	70,278
Eneva	FINEP	R$	TJLP+1.00%	6.02%	12/15/2028	(368)	31,557	60	31,249	(224)	17,500	-	17,276
Eneva	Itaú Unibanco	R$	CDI+2.75%	-	5/15/2028	-	-	-	-	-	282,642	168,806	451,448
Eneva	Banco BTG Pactual	R$	CDI+2.75%	-	5/15/2028	-	-	-	-	-	514,770	307,442	822,212
Eneva	Bullseye I FIDC	R$	CDI+2.75%	-	5/15/2028	-	-	-	-	-	19,726	11,781	31,507
Eneva	FIDC Receivables Eneva	R$	CDI+2.75%	-	5/15/2028	-	-	-	-	-	35,915	21,450	57,365
Eneva	Bullseye I LLC	US$	LIBOR 6M	-	5/15/2028	-	-	-	-	-	133,222	6,423	139,645
Eneva	Zonda - VX FIDC	US$	LIBOR 6M	-	5/15/2028	-	-	-	-	-	6,148	296	6,444
Eneva	Crown Ocean Credits III FIDC	US$	LIBOR 6M	-	5/15/2028	-	-	-	-	-	8,362	403	8,765
Coal -fired thermal plants													
Itaqui	BNDES (Direct)	R$	TJLP+2.78%	8.52%	6/15/2026	(4,284)	605,376	2,026	603,118	(5,453)	746,391	2,447	743,385
Itaqui	BNB	R$	10%	8.61%	12/15/2026	(1,406)	148,127	629	147,350	(1,761)	183,644	780	182,663
Pecém II	BNDES (Direct)	R$	TJLP+3.14%	8.89%	6/15/2027	(2,861)	333,765	1,163	332,067	(3,574)	377,185	1,285	374,896
Pecém II	BNDES (Direct)	R$	IPCA+10.59%	13.95%	6/15/2027	(380)	120,028	505	120,153	(463)	130,287	511	130,335
Pecém II	BNB	R$	10.00%	8.67%	1/31/2028	(2,625)	193,719	-	191,094	(3,107)	207,650	-	204,543
						(11,924)	**1,493,174**	**4,605**	**1,485,855**	**(14,582)**	**2,969,508**	**522,935**	**3,477,861**
Secured deposits						-	(86,441)	-	(86,441)	-	(96,336)	-	(96,336)
Net balance of borrowings and financings						**(11,924)**	**1,406,733**	**4,605**	**1,399,414**	**(14,582)**	**2,873,172**	**522,935**	**3,381,525**
Current						(2,603)	176,183	4,605	178,185	(2,802)	180,534	6,334	184,066
Non-current						(9,321)	1,230,550	-	1,221,229	(11,780)	2,692,638	516,601	3,197,459

The financial institutions usually do not require guarantees for borrowings and financings granted to the Parent Company. However, the borrowings got by the subsidiaries are guaranteed in the structure equivalent to Project Finance, mainly through the assets (machinery and equipment) as well as by the billing flow of the subsidiaries' CCEAR contracts. In addition, the financing is also guaranteed by the Parent Company for the subsidiaries.

The changes in borrowings are as follows (current and non-current):

	Parent Company	Consolidated
In 2018	**1,604,941**	**3,381,525**
(+) New fundings	14,004	14,004
(+) Interest incurred	63,563	217,549
(+/-) Exchange variation Interest	307	306
(+/-) Exchange variation Principal	725	725
(-) Payment of interest	(16,909)	(173,022)
(-) Payment of principal	(1,574,676)	(2,063,668)
(+) Funding cost	(144)	2,658
(-) Contractual monetary update	262	9,443
(-) Secured deposits	-	9,894
In 2019	**92,073**	**1,399,414**

	Parent Company	Consolidated
In 2017	**1,376,101**	**3,702,760**
(+) New fundings	-	47,410
(+) Interest incurred	119,007	379,241
(+/-) Exchange variation Interest	666	666
(+/-) Exchange variation Principal	21,610	21,610
(-) Payment of interest	-	(285,201)
(-) Payment of principal	-	(1,388,698)
(+) Amortization of funding cost	(220)	39,159
(-) Contractual monetary update	-	19,182
(-) Secured deposits	-	142,193
(-) Secured deposits - Pecém II	-	(62,371)
(+) Pecém II Geração de Energia S.A.	-	765,574
(+) Parnaíba Gás Natural S.A.	87,777	-
In 2018	**1,604,941**	**3,381,525**

The installments of the borrowings and financings classified as non-current liabilities on December 31, 2019 have the following payment schedule:

	Parent Company	Consolidated
	2019	**2019**
Maturity year		
2021	15,414	211,866
2022	15,417	212,825
2023	15,421	210,382
2024	15,424	215,059
2025	6,771	210,565
2026 up to the last maturity	11,509	246,973
	79,956	**1,307,670**
Secured deposits	-	(86,441)
	79,956	**1,221,229**

Borrowings and financings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

The Company's management evaluated that the best disclosure of the interest paid on borrowings, financing and debentures is in the cash flows of financings, because the cost of these financial liabilities is intrinsically linked to the funding for the construction of gas generating and production park of Grupo Eneva.

Deposits linked to borrowings and financings

The Company assesses whether its deposits linked to borrowings and financings contracts meet the following criteria:

(a) they are not conditioned to future events; and

(b) they are legally enforceable, in the normal course of business, in the event of default and in the case of insolvency or bankruptcy

For this reason, it presents the net balance of borrowings and financings related to them.

Financial and non-financial covenants

The financings and debentures agreements of the operating subsidiaries have non-financial covenants clauses, usual in the market, which on December 31, 2019 are fully met, as follows:

- Obligation to periodically submit financial statements to creditors.
- Creditor rights to inspect and visit facilities.
- Obligation to keep up with tax, social security and payroll obligations.
- Obligation to maintain materially important contracts for its operations in force.
- Comply with environmental legislation and keep any operating licenses necessary in force.
- Contractual restrictions on related-party transactions and sales of assets outside the normal course of business.
- Restrictions on the change of share control, corporate restructuring, except for those occurred within the economic group, and material changes to the core activities and Articles of Association of the borrowers.
- Restrictions on debt ratios and the procurement of new debt in the subsidiaries.

The financing contracts and issuance of debentures contain specific clauses for financial covenants, which are complied with, as detailed below:

Company	Description of the Financial covenants	Position on 12/31/2019
Parnaíba I	Net debt of no more than 6 times the EBITDA	Met
Parnaíba II	Net debt of no more than 3 times the EBITDA	Met
Pecém II	Debt coverage index of at least 1.20	Met
Eneva S.A.	Net debt of no more than 4.5 times the EBITDA	Met

17. Debentures

													Consolidated
								12/31/2019					12/31/2018
Company	Creditor	Currency	Interest rates	Effective rates for the year	Maturity	Cost to appropriate	Principal	Interest	Total	Cost to appropriate	Principal	Interest	Total
Gas-fired thermal plants													
Parnaíba I	1st issue - 1st series	R$	IPCA + 7.2227%	10.67%	11/17/2025	(7,513)	318,980	2,659	314,126	(6,768)	314,214	2,094	309,540
Parnaíba I	1st issue - 2nd series	R$	CDI + 2,50%	7.78%	11/17/2025	(12,186)	493,145	4,163	485,122	(11,726)	551,000	4,570	543,844
Parnaíba II	1st issue	R$	CDI + 2,50%	-	12/5/2025	-	-	-	-	(19,099)	695,000	1,916	677,817
Parnaíba II	2Nd issue	R$	CDI + 2,95%	-	12/5/2024	-	-	-	-	(4,883)	260,000	1,603	256,720
Parnaíba II	3rd issue - 1st series	R$	CDI + 0,60%	5.50%	10/3/2022	(478)	100,000	1,138	100,660	-	-	-	-
Parnaíba II	3rd issue - 2nd series	R$	CDI+1.01%	5.92%	10/2/2024	(1,423)	290,000	3,552	292,129	-	-	-	-
Parnaíba II	3rd issue - 3rd series	R$	CDI + 1,40%	6.33%	10/5/2026	(1,794)	360,000	4,705	362,911	-	-	-	-
Upstream													
Eneva	2nd issue - 1st series	R$	CDI + 0,95%	6.08%	12/5/2024	(7,263)	750,000	4,961	747,837	-	-	-	-
Eneva	2nd issue - 2nd series	R$	CDI + 1,45%	6.61%	12/5/2024	(7,568)	750,000	5,405	747,698	-	-	-	-
Eneva	2nd issue - 3rd series	R$	IPCA + 5.05%	9.80%	5/15/2029	(5,200)	507,369	2,985	505,154	-	-	-	-
Eneva	3rd issue - 1st series	R$	IPCA + 4.2259%	18.89%	12/15/2027	(16,055)	652,040	643	636,628				
						(59,480)	**4,221,534**	**30,211**	**4,192,265**	**(42,476)**	**1,820,214**	**10,183**	**1,787,921**
Secured deposits						-	(35,137)	-	(35,137)	-	(5,702)	-	**(5,702)**
Debentures amount balance						**(59,480)**	**4,186,397**	**30,211**	**4,157,128**	**(42,476)**	**1,814,512**	**10,183**	**1,782,219**
Current						(10,145)	85,247	30,211	105,313	(4,515)	107,629	10,183	113,297
Non-current						(49,335)	4,101,150	-	4,051,815	(37,961)	1,706,883	-	1,668,922

Changes in debentures are as follows:

	Parent Company	Consolidated
In 2018	**-**	**1,782,219**
(+) New fundings	2,650,000	3,400,000
(+) Interest incurred	75,411	229,654
(-) Payment of principal	-	(1,019,480)
(-) Payment of interest	(61,414)	(209,678)
(+) Funding cost	(36,086)	(17,004)
(+/-) Contractual monetary update	9,406	20,852
(-) Secured deposits	-	(29,435)
In 2019	**2,637,317**	**4,157,128**

	Parent Company	Consolidated
In 2017	**-**	**652,832**
(+) New fundings	-	1,971,000
(+) Interest incurred	-	72,080
(-) Payment of principal	-	(796,170)
(-) Payment of interest	-	(78,925)
(-) Funding cost	-	(37,593)
(+) Amortization of funding cost	-	(1,005)
In 2018	**-**	**1,782,219**

Debentures are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

The costs of the third series referring to the 2nd issue of general and specific simple debentures that are directly attributable to the construction of the qualifying asset ("Parnaíba V") and the costs of the 3rd issue of simple debentures in a single series attributable to the construction of the Parque dos Gaviões project were recorded as part of the cost of property, plant and equipment.

The contractual covenants of the Debentures were fully met and are detailed in Note 16 - Borrowings and financings.

18. Taxes and contributions payable

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Corporate Income Tax - IRPJ	18,139	14,060	70,750	62,536
Social contribution on Net Income - CSLL	6,808	8,912	23,397	25,081
	24,947	**22,972**	**94,147**	**87,617**

The group's companies are taxed on the Taxable Profit system, monthly prepaying Income Tax and Social Contribution on Income, according to effective legislation.

Balances of the other taxes and contributions payable are as follows:

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Value-added Tax on Sales and Services (ICMS)	3,542	70	12,323	2,257
PIS, COFINS and IOF	12,735	3,965	25,334	21,014
Import taxes	486	-	1,126	143
Royalties	9,957	-	9,957	-
Others	6,461	3,610	10,217	6,250
	33,181	**7,645**	**58,957**	**29,664**

19. Financial instruments and risk management

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets and liabilities

A financial asset and a financial liability are recognized when an entity becomes part of the contractual provisions of a financial instrument. Except for accounts receivable from customers without a significant financing component, financial assets and liabilities are initially measured at fair value and, if they are not classified as measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition or issue are added or reduced.

Classification and subsequent measure

Financial assets and liabilities are generally classified as subsequently measured at amortized cost, except in certain circumstances, which include certain financial assets and liabilities at fair value through profit or loss. When financial assets and liabilities measured at amortized cost have their contractual terms modified and such modification is not substantial, their accounting balances will reflect the present value of their cash flows under the new terms, using the original effective interest rate. The difference between the book balance of the remeasured instrument at the time of the non-substantial change in its terms and its book balance immediately prior to such change is recognized as a gain or loss in the statement of operations for the period. Derivative financial instruments are subsequently measured at fair value through profit or loss.

These financial instruments are managed through operating strategies and internal controls, aimed at liquidity, profitability and security. Our control policy consists of permanently monitoring contract rates versus market rates. The Company and its subsidiaries do not invest in derivative financial instruments or any other risky assets on a speculative basis. This is a determination of the financial investment policy.

Fair values are determined based on market prices, when available, or lack of them, in the present value of expected future cash flows. Each classification is as follows:

- Amortized cost: financial asset (debt financial instrument) whose contractual cash flow arises just from the payment of principal and interest on principal at specific dates and whose business model aims to maintain the asset in order to receive its contractual cash flows;

- Fair value through other comprehensive income: financial asset (debt financial instrument) whose contractual cash flow arises just from the receipt of principal and interest on principal at specific dates and, whose business model aims at both the receipt of cash flows contractual terms of the asset as to its sale, as well as investments in equity instruments not held for trading or contingent consideration, which on initial recognition, the company irrevocably elected for presenting subsequent changes in the fair value of the investment in other comprehensive income; and

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

The hierarchy of fair values of financial assets and liabilities recorded on a recurring basis is as follows:

- Level I: these are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the entity may have access on the measurement date;

- Level II: information, other than the quoted prices included in Level 1, which can be observed for the asset or liability, directly or indirectly;

- Level III: is unobservable information for the asset or liability.

The description of the consolidated carrying amounts of financial instruments included in the balance sheets as well as the fair value hierarchy classification, is presented below:

	Level	2019	2018
		Parent Company	
Assets			
Amortized Cost		**1,825,565**	**1,159,891**
Secured deposit		3,779	2,676
Cash and cash equivalents		1,006,475	452,050
Trade receivables		2,150	-
Trade operations with related parties		275,030	194,047
Related-parties loans		538,131	511,118
Fair value through profit or loss		**105,493**	**96,919**
Marketable securities	Level II	105,493	96,919
Liabilities			
Amortized Cost		**2,985,361**	**1,712,202**
Trade payables		118,418	61,430
Borrowings and financings	Level II	92,073	1,604,941
Debentures	Level II	2,637,317	-
Trade operations with related parties		45,917	45,831
Lease	Level II	91,636	-

	Level	2019	2018
		Consolidated	
Assets			
Amortized Cost		**2,235,300**	**1,559,872**
Trade receivables		695,181	357,883
Cash and cash equivalent		1,517,583	1,152,266
Secured deposit		5,828	31,617
Trade operations with related parties		4,845	4,298
Related-parties loans		11,863	13,808
Fair value through profit or loss		**277,350**	**207,742**
Marketable securities	Level II	270,652	207,017
Non Deliverable Forwards - NDF	Level II	6,698	725
Liabilities			
Amortized Cost		**6,304,793**	**5,560,297**
Trade payables		629,859	354,016
Borrowings and financings	Level II	1,399,414	3,381,525
Debentures	Level II	4,157,128	1,782,219
Trade operations with related parties		375	26,768
Contractual retentions	Level I	4,330	4,330
Trade payables - electric power sector	Level III	11,922	11,439
Lease	Level II	101,765	-

Derivatives, hedge and risk management

The Company has derivative instruments, called Non Deliverable Forwards (“NDFs”), in order to mitigate the foreign exchange exposure arising from (i) purchase of equipment to be used in the maintenance operating cycle of the plant by Parnaíba I Geração de Energia S.A.; (ii) investments in foreign currency foreseen by Parnaíba Geração e Comercialização for the construction of the thermal plant Parnaíba V, whose implantation began in February 2019, with expectation of construction provided by the global contract (EPC) of 31 months and (iii) investments in foreign currency foreseen by Azulão Geração de Energia in the implantation of the Azulão-Jaguatirica project, which won in May 2019 the Aneel Bid for Supply of Boa Vista and Connected Locations, with construction term provided by the global contract (EPC) of up to 24 months.

On December 31, 2019, the Market to Market ("MtM") net amounts determined for these derivative instruments were gains of R$ 6,698, related to the construction of Group's assets, which was fully recorded in the respective PPE accounts.

19.1 Market risk

Risk of variation in the prices of commodities, foreign exchange rates and interest.

19.1.1 Risk of price variation (commodities)

In the case of the Company, this risk is exclusively associated to the price of the coal, which forms the inventories necessary for the generation of energy in the thermoelectric plants.

The period between the purchase of the load and its use for the energy generation is set as the risk of price variation taken by the thermoelectric plant. The projection of risk and sensitivity of the average amounts for 2019 and 2018 is as follows:

2018 (R$)	**Market value**	**API2 / CIF ARA (25% increase)**	**API2 / CIF ARA (50% increase)**
Variable income (Ccomb)	199,487,437	249,359,296	299,231,156
Variable cost (Coal)	(199,910,014)	(247,317,797)	(294,725,580)
Variable result	**(422,577)**	**2,041,499**	**4,505,576**
2019 (R$)			
Variable income (Ccomb)	149,488,240	186,860,301	224,232,361
Variable cost (Coal)	(141,829,874)	(174,507,956)	(207,186,037)
Variable result	**7,658,366**	**12,352,345**	**17,046,324**

Assumptions (unaudited)	**2019**	**2018**
Electric power generation - MWh	1,277,197	*1,027,774*
Coal consumption (Ton)	557,839	*459,908*
CIF ARA	55.85	*96.86*
API2	55.85	*96.86*
Award	4.75	*5.25*
Factor i	0.52	*0.52*
FX	4.01	*3.83*

Being:
*Ccomb = CIF ARA * Factor i * FX*
Coal cost = API2 + award
API2 ~ CIF ARA

19.1.2 Interest rate risk

a) Risk related to floating interest

More than 90% of the Company and its subsidiaries' liabilities are indexed to floating interest in the interbank deposit segment (DI), in the inflationary segment with restatement according to the IPCA price index and by the TJLP economic index.

The BNDES facilities restated by the IPCA and TJLP price indexes - which also contain a strong inflation component - are part of a special credit segment posing low volatility and therefore a low probability of abrupt changes in rates. The assets of the Company and its subsidiaries, represented by their income, will also be updated by the same rates, which substantially decreases the mismatch between the assets and liabilities.

The current debt has a principal of R$ 4,687,684 and the total balance of R$ 5,163,744 on December 31, 2018. From this total, approximately 6% has short term maturity. In order to verify the sensibility of the debts indexers to which the Company was exposed, 3 different scenarios were defined. As probable scenario, the Company used market projections to estimate what would be the gross financial expenses for the next 12 months. As alternative scenarios, the Company calculated what would be the financial loss for the next 12 months should the TJLP, CDI and IPCA curves be displaced in 25% and 50% respecting the payment term of each line.

	Probable scenario	Scenario I (25% increase)	Scenario II (50% increase)
Cash flow risk:			
Liabilities indexed to TJLP	74,450	85,425	96,071
Liabilities indexed to CDI	165,522	196,517	227,326
Liabilities indexed to IPCA	143,029	156,788	170,491
Expected Financial Costs	**383,001**	**438,730**	**493,888**
Increase in finance costs	**-**	**55,729**	**110,887**

Methodology: parallel displace above the interest curves in 25% and 50%.

IPCA 12M: 4.01% (Source: Boletim Focus)
TJLP 12M: 7.03% (Source: National Monetary Council)
Average CDI 12M: 6.55% (Source: Market Projection)

19.2 Liquidity risk

The Company and its subsidiaries monitor their liquidity levels, based on expected cash flows versus the amount of cash and cash equivalents on hand. Managing the liquidity risk means maintaining cash, sufficient securities and capacity to settle market positions. The amounts recognized at December 31, 2019 approach the operations' settlement values, including estimated future interest payments.

						Consolidated 2019
	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities						
Trade payables	-	598,155	31,704	-	-	629,859
Trade payables	-	-	375	-	-	375
Borrowings and financings	135,812	161,969	320,403	860,655	540,959	2,019,798
Debentures	157,132	165,515	367,397	2,420,546	3,218,163	6,328,753
Contractual retention	-	-	-	4,330	-	4,330
	292,944	**925,639**	**719,879**	**3,285,531**	**3,759,122**	**8,983,115**

						Consolidated 2018
	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities						
Trade payables	-	348,849	5,167	-	-	354,016
Trade payables	-	-	26,768	-	-	26,768
Borrowings and financings	174,201	266,445	528,335	1,805,046	2,880,658	5,654,685
Debentures	84,336	178,723	372,508	1,245,411	826,814	2,707,792
Contractual retention	-	-	4,330	-	-	4,330
	258,537	**794,017**	**937,108**	**3,050,457**	**3,707,472**	**8,747,591**

19.3 Credit risk

This arises from the possibility of the Company and its subsidiaries suffering losses due to the default of their counterparties or of financial institutions where they have funds or financial investments. This risk factor could derive from commercial operations and cash management.

To mitigate these risks, the Company and its subsidiaries have a policy of analyzing the financial position of their counterparties, as well as constantly monitoring outstanding accounts.

The Company has a Financial Investment Policy, which establishes investment limits for each institution and considers the credit rating as a reference for limiting the investment amount. The average terms are continually assessed, as are the indexes underlying the investments, in order to diversify the portfolio.

		Consolidated
	2019	2018
Credit risk positions		
Cash and cash equivalent	1,517,583	1,152,266
Marketable securities	270,652	207,017
Trade receivables	695,181	357,883
Derivatives	6,698	725
Secured deposit	5,828	31,617
Secured deposits on borrowing and debentures	121,578	102,038
	2,617,520	**1,851,546**

19.4 Foreign exchange rate risk

The Company has foreign exchange exposure on its financial liabilities, arising from transactions in US dollars.

19.5 Capital management

The Company's objectives when managing capital are to safeguard the companies' ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure of the Company, management can make, or will propose to the stockholders when their approval is required, adjustments to the amount of dividends paid to stockholders, return capital to stockholders, issue new shares or sell assets to reduce, for example, debt.

20. Provision for contingencies

The Company and its subsidiaries are a party in civil, tax, environmental and labor lawsuits, as well as regulatory administrative proceedings, assessed by its legal advisors.

The Company constitutes a provision when there is present obligation, arisen from past events, and that it is probable that a cash disbursement will occur for its ending. The consolidated balance of the provision for contingencies for the year ended December 31, 2019 is presented, as follows:

						Consolidated
		12/31/2018				12/31/2019
		Accumulated balance	Additions	Reversal	Update	Accumulated balance
Civil	(a)	4,286	45,435	(641)	-	49,080
Labor	(b)	14,351	40,486	(12,170)	895	43,562
Tax		40	-	-	-	40
Environmental		155	-	-	8	163
Total Provisions		**18,832**	**85,921**	**(12,811)**	**903**	**92,845**

(a) Civil risks

The main civil matters are:

Contingent asset:

Ordinary lawsuit filed by the subsidiary Amapari Energia S.A. ("Amapari") in the amount of R$ 44,091, with request for early custody, in order that it is framed in the fuel cost reimbursement mechanism of CCC-ISOL. In September 2018, the appeal filed by Amapari was upheld, anulling the decision and upholding the demand, authorizing the Company to use the fuel cost reimbursement mechanism instituted by the Fuel Consumption Account for the Isolated System (CCC-ISOL). Still through the decision, it was determined immediate reimbursement of CCC that Amapari did not receive in the period from November 2008 to February 2009.

In compliance with the decision, during 2019, ANEEL paid the reimbursement requested by Amapari. However, it filed special appeal, still pending judgment. For this reason, the amount early received was accounted for as provision.

Contingent liabilities:

(ii) Ordinary lawsuit filed by RIP Serviços e Industriais S.A. against the subsidiary Itaqui, requiring the payment of invoices in the total amount of R$ 4,959, from which R$ 1,000 is considered as probable.

(b) Labor risks

Contingent liabilities:

These encompass claims from former employees of the Company and employees of third-party companies that plead, among others, severance funds, hazardous work premium, recognition of employment relationship with the Company and later leveling of rights to its employees or funds eventually not paid by their companies. The increase presented in the previous chart is linked to partial conviction and settlement of the claims during this quarter. There is no material individual suit.

Possible risk contingencies (not provided for)

The tax, civil, labor and environment lawsuits, which are not provided for, because they involve prognosis management and its lawyers and legal advisors classified as possible, are as follows:

			Consolidated
		12/31/2019	12/31/2018
Environmental		24,127	22,519
Regulatory		12,759	12,869
Labor		32,803	44,063
Civil	(a)	82,035	115,440
Tax	(b)	229,196	22,452
Total		**380,920**	**214,343**

(a) Civil

Subsidiary Pecém II Geração de Energia S.A.

Contingent asset:

(I) Emergency Water Charge

This is a lawsuit filed by Pecém II together with Porto do Pecém Geração de Energia SA against ANEEL, claiming (i) the transfer, by ANEEL, of the amount charged by the State of Ceará, as an Emergency Water Charge (“EHE”), to the CCEARs of Pecém II and Porto do Pecém with the increase in the Variable Unit Cost (“CVU”) and the sales revenue perceived by these companies; and (ii) the suspension of the application by ANEEL of any penalties for possible reduction and/or interruption of the power generation of Pecém II and Pecém I UTEs due to the decrease in the water supply.

On January 31, 2017, the Federal Court decided to reject the claim for summary judgment filed by the Plaintiffs. The Plaintiffs filed an appeal, which was assigned to the Judge Souza Prudente, on March 1, 2017. The advance protection required by the Companies was granted on May 5, 2017, with ANEEL complying with the decision on the appeal.

Thus, an official letter was sent to the President of ANEEL determining the compliance with the decision that granted the plaintiff's requests. On August 22, 2017, ANEEL's Board of Directors agreed to the methodology for calculating reimbursement suggested by the Company, authorizing the transfer of the EHE to the Plaintiffs, which has been carried out regularly from 2018 to the present. ANEEL filed a petition informing compliance with the decision and filed an internal appeal against the rapporteur's monocratic decision. The case files have been concluded in the office of Judge Souza Prudente since February 2018, awaiting judgment.

(II) Fixed revenue

The subsidiary Pecém II Geração filed suit, claiming anticipation of the effects of the custody, claiming the right to receive the fixed income provided by the Energy Trading Agreements in the Regulated Environment (CCEAR), entered into in new energy auction, as from July 2013, period in which the Company was already duly commissioned and able to generate energy and, consequently, comply with the commitments entered into. ANEEL justified that the delay in the construction of implantation of the substation of Transmissora Delmiro Gouveia S.A. (TDG), necessary for the outflow of the generated energy, would constitute unforeseeable circumstances or force majeure and it did not pay the fixed income, just excluding the Company from the penalties foreseen for the failure in the supply of energy.

In November 2014, the Company obtained favorable decision from the Federal Court of Federal District, which confirmed the anticipation of the custody effects, and the decision was confirmed by the Federal Regional Court. Within this context, with the court of appeals judgment, it was recognized the right of Pecém II to receive the payment of the Fixed Income arising from the CCEARs and it was determined the immediate compliance with the decision. ANEEL filed amendment of judgment with TRF of 1st Region, which was rejected on May 11, 2018. Therefore, on May 30, 2018, exhausted the discussion in TRF of 1st Region and with a court order for immediate compliance with the decision, CCEE paid to Pecém II the amount of R$ 59,326, corresponding to the due fixed income. The Company became aware of special appeal filed by ANEEL, and after subpoena, Pecém II presented counter arguments on August 30, 2018. This appeal will be appreciated by the Superior Court of Justice, if accepted by the TRF of the 1st Region, reason why there is no final decision yet.

Subsidiary Eneva Comercializadora de Energia Ltda.

It is an action for annulment of arbitration decision that granted all the pleas requested by Eneva Comercializadora in the arbitration procedure No. 22/2014 filed against COPEN. The amount involved on December 31, 2019 is R$ 38,000, referring to the amount discussed in the arbitration whose decision COPEN seeks to annul.

Other subsidiaries

The remaining amounts are divided into lawsuits involving civil claims that individually do not represent material financial risk, and that are described in the possible loss prognostic report. The changes in amounts presented above are related to the changes in the prognosis of the lawsuits during the quarter.

(b) Tax

Subsidiary Itaqui Geração de Energia S.A.

The subsidiary has tax claims in which it appears as a defendant. The main demand is related to the tax assessment issued by the federal tax authorities to disallow financial expenses that are supposedly unnecessary because the hedge of a certain operation contracted to cover an unrealized foreign currency loan has not been proven.

The matter is under discussion at the administrative level, with a challenge to the notice of infraction filed on 01/22/2019, and subsequently, on 07/10/2019, a voluntary appeal was filed. Currently, it awaits judgment of the Voluntary Appeal by CARF.

In the event of an unfavorable final decision in the judicial sphere, the company will lose the right to offset future taxable profits with the amount of tax loss and social contribution negative basis disallowed by the tax authorities, in the amount of R$ 195 million. There is no tax credit recorded on the mentioned tax loss. In the event of an unfavorable final decision, the effect would be a decrease of approximately R$ 195 million in tax loss and social contribution negative basis in the auxiliary tax controls (ECF), without disbursement and impact on the Company's cash.

Other subsidiaries

In 2019, the Company was mentioned in new lawsuits and administrative proceedings, whose discussion involve amounts associated to assessment notices and tax enforcement, but they were classified as possible loss, so it is not required to constitute provision for contingency.

21. Asset retirement obligation

These refer to the costs expected for the abandonment of the operational fields and for the demobilization of the assets of UTE of Pécem II Geração de Energia S.A, referring to the return of the land under the same conditions when assumed.

The calculations of these estimates are complex and involve significant judgments, since:

i) Upon recognition of the provision, the corresponding cost is capitalized as part of property, plant and equipment and is depreciated over the useful life of the corresponding assets, resulting in an expense recognized in result for the year.

ii) obligations will occur in the long run;

iii) the contracts and regulations have subjective descriptions of removal and restoration practices and of the criteria to be met at the time of the actual removal and restoration; and

iv) the asset removal technologies and costs are constantly changing, along with environmental and safety regulations.

The Company is constantly conducting studies to incorporate technologies and procedures in order to optimize abandonment operations, considering the best practices. However, the terms and amounts of future cash flows are subject to significant uncertainties.

The Company reviews its estimated costs for dismantling oil and gas production areas on a quarterly basis, together with its annual reserve certification process and when there is indication of changes in its premises.

On December 31, 2019 and 2018, the flows with provision for abandonment are as follows:

		Parent Company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	**61,720**	**-**	**66,885**	**64,055**
Review of the provision	7,595	-	7,231	(3,016)
Interest update	6,433	-	6,906	5,846
Incorporation of PGN	-	61,720	-	-
Closing balance	**75,748**	**61,720**	**81,022**	**66,885**

22. Related parties

Company's transactions with its direct and indirect subsidiaries, associates and key management, were carried out according to the conditions contracted between the parties and reflect terms that consider the market transactions.

Shareholders

The Company's main stockholders are Banco BTG Pactual S.A, Cambuhy I Fundo de Investimento em Ações and Atmos Capital Gestão de Recursos Ltda, which hold respectively, 22.95%, 22.95% and 5.01% of common shares.

Managers

The Company is managed by a Board of Directors and an Executive Board, pursuant to the duties and powers vested by its Bylaws.

Related companies

The Company's main affiliated companies are: Banco BTG Pactual S.A, Cambuhy, Atmos and their respective subsidiaries and associates.

On December 31, 2019, the balances of assets, liabilities and effects on income of related-party transactions are as follows:

	Investment relation	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Assets					
Loan					
Coal -fired thermal plants					
Itaqui Geração de Energia S.A. (a)	Control	156,869	147,694	-	-
Pecém II Geração de Energia S.A. (b)	Control	294,719	279,708	-	-
Upstream					
Parnaíba B.V.	Control	73,993	69,221	-	-
Others					
MABE do Brasil	Joint-venture	9,007	11,115	9,007	11,115
Pecém Operação e Manutenção de Unidades de Geração Elétrica S.A.	Joint-venture	2,856	2,693	2,856	2,693
Termopantanal Participações	Control	457	457	-	-
Termopantanal Ltda.	Indirect control	230	230	-	-
		538,131	**511,118**	**11,863**	**13,808**
Commercial operations					
Gas-fired thermal plants					
Parnaíba Geração e Comércio de Energia S.A.	Indirect control	5,093	5,273	-	-
Parnaíba I Geração de Energia S.A.	Control	127,961	74,859	-	-
Parnaíba II Geração de Energia S.A.	Control	102,619	87,226	-	-
Azulão Geração de Energia S.A	Control	850	-	-	-
Coal -fired thermal plants					
Itaqui Geração de Energia S.A.	Control	11,186	6,915	-	-
Pecém II Geração de Energia S.A.	Indirect control	11,729	6,295	-	-
Pecém II Participações S.A.	Control	2,479	2,276	-	-
Others					
ENEVA Comercializadora de Energia S.A.	Indirect control	3,947	3,298	-	-
Uniper Energy	Shareholder	-	92	-	93
Amapari Energia S.A.	Control	1,058	453	-	-
MABE do Brasil	Joint-venture	22	22	22	22
ENEVA Participações S.A.	Control	6,585	6,201	-	-
Porto do Pecém Transportadora de Minério S.A	Joint-venture	10	10	10	10
PO&M Geração Elétrica S.A	Joint-venture	18	18	18	18
SPE´s Ventos	Indirect control	155	46	-	-
Seival Geração de Energia S.A.	Indirect control	427	363	-	-
Seival Sul Mineração Ltda.	Joint-venture	10	10	4,795	4,155
Sul Geração de Energia S.A.	Indirect control	315	320	-	-
Tauá Geração Energia	Indirect control	566	370	-	-
		275,030	**194,047**	**4,845**	**4,298**
		813,161	**705,165**	**16,708**	**18,106**

(a) The balance is as follows: (i) loan agreement entered into in January 2012 with Eneva (creditor) subject to monthly market interest (104% of CDI) with indefinite maturity. The balance of R$ 156,869 refers just to the interest (R$ 147,694 on December 31, 2018).

(b) The balance is comprised by loan (i) agreement entered into with Eneva (creditor) subject to market interest (104% of CDI) and with indefinite maturity, in the amount of R$ 294,719, being R$ 219,074 (R$ 279,708 on December 31, 2018). This variation corresponds to the interest incurred during 2019.

	Investment relation	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Liabilities					
Operating lease					
Upstream					
Parnaíba B.V	Control	39,697	39,697	-	-
		39,697	**39,697**	**-**	**-**
Commercial operations					
Gas-fired thermal plants					
Parnaíba I Geração de Energia S.A.	Control	35	35	-	-
Parnaíba II Geração de Energia S.A.	Control	48	47	-	-
Coal -fired thermal plants					
Itaqui Geração de Energia S.A.	Control	2,202	2,186	-	-
Pecém II Geração de Energia S.A.	Indirect control	45	49	-	-
Others					
Uniper Energy	Shareholder	-	13	-	26,475
ENEVA Participações S.A.	Control	3,447	3,355	-	-
Copelmi Mineração Ltda.	Associate	-	-	375	293
Amapari Energia S.A.	Control	3	3	-	-
Tauá Geração de Energia Ltda.	Indirect control	440	446	-	-
		6,220	**6,134**	**375**	**26,768**
		45,917	**45,831**	**375**	**26,768**

	Investment relation	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Result					
Gas-fired thermal plants					
Parnaíba Geração e Comercialização de Energia S.A	Indirect control	13,150	877	-	-
Parnaíba I Geração de Energia S.A. (a)	Control	398,223	7,553	-	-
Parnaíba II Geração de Energia S.A. (a)	Control	284,372	16,111	-	-
Azulão Geração de Energia S.A.	Control	228	-	-	-
Coal -fired thermal plants					
Pecém II Geração de Energia S.A.	Indirect control	26,637	26,926	-	11,712
Pecém II Participações S.A	Control	125	112	-	-
Itaqui Geração de Energia S.A.	Control	22,393	22,620	-	-
Others					
Amapari Energia S.A.	Control	467	379	-	-
Parnaíba Participações S.A.	Indirect control	-	107	-	-
Eneva Comercializadora de Energia S.A.	Indirect control	1,018	1,315	-	-
Eneva Participações S.A.	Control	370	263	-	-
MABE Construção e Administração de Projetos Ltda.	Joint-venture	1,273	1,284	1,273	870
Parnaíba Gás Natural S.A.	Control	-	71,486	-	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica	Joint-venture	191	193	191	130
Seival Geração de Energia S.A.	Indirect control	42	70	-	-
SPE's Ventos	Indirect control	177	107	-	-
Sul Geração de Energia S.A.	Indirect control	-	7	-	-
Tauá Geração de Energia Ltda.	Indirect control	446	309	-	-
		749,112	**149,719**	**1,464**	**12,712**

(b) The exponential increase in the result is due to the incorporation of Parnaíba Gás Natural ("PGN") in Eneva S.A. in December 2018.

Accordingly, as from January 2019, Eneva S.A. becomes the new supplier of the main input in the Parnaíba Complex.

22.1 Key management compensation

In accordance with Law No. 6,404/1976 and the Company's Bylaws, the shareholders will establish the managers' overall annual remuneration at the General Meeting. The Board of Directors will distribute the amount among the managers.

The total amounts of compensation of the Company's Executive Board and Board of Directors members for the years ended December 31, 2019 and 2018, accounted for on an accrual basis, are as follows:

	Parent Company			Consolidated
	2019	2018	2019	2018
Short term benefits	33,074	20,944	37,051	24,432
Long-term benefits (a)	22,721	2,217	23,160	2,321
	55,795	**23,161**	**60,211**	**26,753**

(a) Furthermore, as described in Note "24 - Share-based payments", the Company implemented a share-based payment for managers and statutory and non-statutory executives. This grant of shares will be granted upon the compliance with certain conditioners, within 3 to 5 years, as from the beginning of the plan.

The minimum, average and maximum annual compensation amounts of the Board of Directors and Executive Board are as follows:

						Consolidated
			2019			2018
	Minimum	Average	Maximum	Minimum	Average	Maximum
Board of Directors	301	1,429	8,214	317	570	1,296
Executive Board	474	4,065	14,882	127	1,751	5,499
	775	**5,494**	**23,096**	**444**	**2,321**	**6,795**

23. Equity

On December 31, 2019 and 2018, the Company's capital is respectively of R$ 8,834,907 and R$ 8,822,057.

The distribution of the Company's shares is as follows:

		2019
		Common shares
	Number	%
Shareholder		
Banco BTG Pactual S.A.	72,410,101	22.95%
Cambuhy I Fundo de Investimento em Ações	72,410,101	22.95%
Atmos Capital Gestão de Recursos Ltda	15,793,261	5.01%
Others	154,869,718	49.09%
Total	**315,483,181**	**100%**

		2018
		Common shares
	Number	%
Shareholder		
Banco BTG Pactual S.A.	84,370,481	26.79%
Cambuhy I Fundo de Investimento em Ações	72,410,101	22.99%
DD Brazil Holdings (Uniper Energy)	19,217,333	6.10%
Itaú Unibanco	18,530,085	5.88%
Others	120,462,499	38.24%
Total	**314,990,499**	**100%**

23.1 Share capital

The Company only has common, book entry shares, with no par value. The authorized capital on December 31, 2019 and 2018 consists of 399,128,430 authorized shares, of which 315,483,181 were issued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the raised funds.

23.2 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's stockholders is recognized as a liability in the financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders at General or Extraordinary Meeting.

The tax benefits of interest on capital are recognized in the statement of operations. For the current year, there was no distribution.

23.3 Legal reserve

From the net income for the year, 5% is applied, before any other allocation, to the constitution of the legal reserve, which will not exceed 20% of the Company's capital. This reserve is intended to ensure the integrity of the share capital and can only be used to offset losses or increase share capital.

23.4 Tax incentives reserve

23.4.1 SUDAM/SUDENE

The reserve is constituted by allocating the portion of the income for the year equivalent to the tax benefit granted by the Superintendence of Development of the Amazon (SUDAM) and Superintendence of Development of the Northeast (SUDENE). This benefit corresponds to a decrease of 75% of income tax in a 10-year period.

23.4.2 Service Tax

Reserve created through the allocation of the portion of the income for the year equivalent to the tax incentive granted by the State of Maranhão, under the terms of Law No. 9,463/2011. Such incentive consists of presumed Service Tax credit on outlets of natural gas for the thermoelectric plant powered by natural gas.

24. Result per share

The diluted and basic result per share was calculated by the division of the result for the period attributable to controlling and non-controlling stockholders of the Company on December 31, 2019 and 2018 and the respective weighted average of shares outstanding during the same period, as follows:

	2019	2018
Result for the year		
Numerator		
Profit attributable to the stockholders	600,798	887,873
Denominator		
Weighted average of shares	315,344,051	314,990,499
Profit per share (R$) - basic	**1.90521**	**2.81873**

Result for the year	2019	2018
Numerator		
Profit attributable to the stockholders	600,798	887,873
Denominator		
Weighted average of shares	315,344,051	314,990,499
Effect of the options	2,368,569	-
Profit per share (R$) - diluted (*)	**1.89101**	**2.81873**

(*) The dilution factor represented by the Company's share-based compensation programs represented no material change in the calculation of the diluted profit.

The Company's capital authorized is presented in Note "23 - Equity".

25. Share-based payment

a) Stock options awarded by the Company

The Company's stock option plan was approved by the Board of Directors on August 10, 2016.
The options will represent the maximum of 4% (four percent) of the Company's total shares at the options issue date. For the purposes of this limit, the sum of all shares issued by the
Company, including the shares that come to be issued by the Company due to options awarded within the scope of the Options Plan.

The changes in the options plan in the year are as follows:

Plan	Date Awarded	Award term (years)	Initial date of maturity	Maximum date rights expire	Original amount awarded	Remaining number	Original strike price	Strike price restated by IPCA + 3% p.a.
2016	10/3/2016	5	4/3/2018	11/12/2021	621,094	207,031	15.00	18.46
2016	10/3/2016	3	11/1/2017	1/30/2021	2,667,000	666,750	15.00	18.46
2016	5/10/2017	5	5/10/2018	9/7/2022	1,333,333	800,000	15.00	17.80
2016	8/3/2017	5	8/3/2018	12/1/2022	710,301	300,000	15.00	17.67
2016	2/11/2019	5	2/11/2020	6/10/2024	250,000	250,000	15.00	15.94

The changes in the options plan in the years ended December 31, 2018 and December 31, 2019 are as follows:

Plan awarded by the Company - number of share options	Number of options	Weighted average strike price of options
At December 31, 2018	**3,787,927**	**16.65**
Exercised	(1,480,771)	17.42
Awarded	250,000	15.14
Expired	(333,375)	17.53
At December 31, 2019	**2,223,781**	**17.83**

The Company is not able to measure the value of the services received by the participants, therefore, it decided to measure their respective fair values, based on the fair value of equity instruments awarded. According to the Program's regulation, the Company will settle this obligation with the issue of new shares or using (when constituted) the account "Treasury Shares". The effect on result for 2019 was of R$ 2,735.

b) Restrict Performance Units (Units) granted by the Company.

The Company granted two distinct Long Term Compensation Incentive Plans Based on Shares, the first was approved on July 12, 2018 and the second, called Long Term Compensation Incentive Plan Based on Shares (Performance Shares Plan) was approved at the Annual and Extraordinary Shareholders' Meeting held on April 29, 2019. In these plans, the Company grants restricted performance units to the beneficiaries who provide services to it, however, the plans follow different rules for the acquisition of the right to transfer shares.

According to the plan's regulations approved on July 12, 2018, shares may be transferred to beneficiaries after 3 (three) years from the date of granting the units. From the number of units assigned to each beneficiary, 50% are granted for retention, whose right depends on the employee's permanence in the Company. For the remaining 50% of the shares, in addition to the employee's permanence, the number of shares transferred will depend on the return performance indicator for shareholders, calculated during the 3-year grace period of the units.

The regulation of the plan approved on April 29, 2019 states that the shares can be transferred to the beneficiaries if the performance criteria related to the execution of the Parnaíba V Project are met, being: i) executed until the commercial operation start date in March 2022 and ii) execution of the referred project with up to 10% overrun of the budget. If both performance criteria in carrying out the project are met, all the shares will be transfered to the plan's beneficiaries. The appropriation of the plan's fair value to the result for 2019 was of R$ 3,293.

The units awarded by the Company are as follows:

Plan	Award date	Term (years)	Purpose	Date the right was acquired	Original amount awarded
2018	7/13/2018	3	Retentions	4/2/2021	217,181
2018	7/13/2018	3	performance	4/2/2021	217,181
2018	4/1/2018	3	Retentions	4/1/2022	189,109
2018	4/1/2018	3	performance	4/1/2022	189,109
2019	4/29/2019	2.92	performance shares	3/31/2022	387,101

The changes in the units plans in the period between December 31, 2018 and December 31, 2019 are as follows:

Units plan granted by the Company - number of units	Number of Units	Weighted average price of the shares
At December 31, 2018	**434,362**	**16.09**
Exercised	-	-
Canceled	-	-
Granted	765,318	19.10
Expired	-	-
At December 31, 2019	**1,199,680**	**43.69**

26. Sales and services income

Revenue comprises the fair value of the consideration received or receivable for the sale of electrical power in the ordinary course of the Company's activities. The revenue presented is net of taxes on sales, returns, rebates and discounts. In the consolidated financial statements, the sales within the group are discarded.

For the energy generation and natural gas production activities, revenue is recognized when the performance obligation is reached, i.e., when the control over the product is transferred to the customer.

The reconciliation between the gross revenue and the net revenue recorded in the income statement for the year is as follows:

		Parent Company		Consolidated	
		2019	2018	2019	2018
Revenue					
Available funds (ACR)	(a)	-	-	2,067,858	1,933,773
Sale of electricity (ACR)	(b)	-	-	738,772	939,383
Sale of electricity (ACL)	(c)	-	-	641,617	612,028
Sale of gas and condensed	(d)	484,085	-	4,355	2,905
Lease	(d)	346,341	-	-	-
Gross revenue		**830,426**	**-**	**3,452,602**	**3,488,089**
Deductions from revenue					
Taxes on sales		(97,993)		(256,562)	(280,686)
P&D	(e)	-	-	(30,138)	(28,729)
Reimbursement	(f)	-	-	(28,533)	(49,567)
Total net revenue		**732,433**	**-**	**3,137,369**	**3,129,107**

Regulated Contracting Environment (ACR)

Revenues arise from Energy trading agreements in the regulated environment (CCEAR):, entered into between the selling agent and the distribution agent, as a result of the electricity auctions. The CCEARs are specified by means of the notices published for each auction containing fixed and variable terms and conditions, which are not subject to change by the agents.

This type of contract aims to minimize hydrological risk, aiming at a lower cost for the energy system. The costs arising from hydrological risks will be assumed by the purchasing agents (distributors), and any financial exposures in the Short Term Market, positive or negative, will be assumed by the distributors, with transfer to the final consumer, according to the mechanism defined by Aneel.

(a) Available funds ACR (fixed income)

This type of revenue is intended to remunerate the generation enterprise maintained at the disposal of the National Integrated System (SIN) to start operating whenever requested by the National System Operator (“ONS”).

(b) Sale of electricity (ACR) (variable revenue)

In addition to the availability revenue, as mentioned above, the CCEARs have variable revenues, the value of which is defined monthly at the time of recognition, according to the demand required by ONS. Revenue on any sales is recognized by a measurement equal to the volume of energy transferred to the client and estimates to measure the energy delivered, but does not yet take into account the measurements prior to closing the financial year.

Free Contracting Environment (ACL)

The market segment in which electricity purchase and sale operations are carried out, which are the subject of freely negotiated bilateral contracts, according to specific trading rules and procedures.

(c) Sale of electricity ACL

In the contracting operation in free environment the Company has the right to recognize the revenue from sale of energy by the value of MWh. Revenue comprises the fair value of the consideration received or receivable for the sale of electrical power both in the regulated market and in the free market.

Furthermore, as from June 2018, with the publication of the normative resolution No. 822, the operation for complemantary dispatch for maintenance of the operating power reserve (RRO) has begun. This mechanism is an ancillary service rendered by centrally dispatched thermoelectric plants, in order to preserve the operating power reserve in the hydraulic generating units in any subsystem. The thermoelectric plants that are triggered to meet the complementary dispatch for maintenance of the operating power reserve (RRO) receive this power valued at price of the offer made, when the service to the dispatch is considered satisfactory, or at its Unit Variable Cost (CVU), when unsatisfactory. This revenue is recorded at the dispatch confirmation moment by ONS.

The result information is presented by segment in Note “6 – Segment reporting”.

Exploration and Production of oil and gas

(d) Sale of gas, condensed and lease

Eneva S.A is responsible for the exploration and extraction of natural gas and has a gas supply and lease agreement with the Parnaíba Complex.

The sale of gas is directly linked to the dispatch of Complexo Parnaíba (“Complexo”). The price is established in a contract signed between the parties and the volume traded varies according to the gas needs of the Complex. Revenue from the sale of gas is recognized by periodic measurement and is equivalent to the volume transferred to the customer, but not yet taken into account in the measurements prior to the end of the year.

Deductions from revenue

(e) Research and development (R&D)

Companies regulated by ANEEL are required to comply with Law No. 9,991, of July 24, 2000, and for that reason, they must apply annually the percentage of 1% (one percent) of their net operating revenue - ROL for preparation and execution of R&D projects in the electricity sector.

(f) Reimbursement

The reimbursement to the market occurs when the thermoelectric plants contracted in the regulated contracting environment (ACR) do not meet the order of the National System Operator ("ONS").

27. Costs and expenses per nature

	Parent Company		Consolidated	
	2019	2018	2019	2018
Cost				
Regulatory costs	(2)	-	(134,929)	(124,257)
Depreciation and amortization	(113,493)	-	(414,118)	(392,915)
Environmental expenses	(2)	-	(5,915)	(2,954)
Rental expenses	(3,831)	-	(15,357)	(1,326)
Personnel expenses	(27,542)	-	(152,714)	(138,725)
Electric power for resale	-	-	(400,630)	(386,729)
Taxes and contributions	(98)	-	(3,658)	(1,089)
Generation inputs	-	-	(520,270)	(572,278)
Consumption material	(7,482)	-	(12,551)	(33,129)
Government interests	(61,069)	-	(61,069)	(75,854)
Operating insurance	(4,050)	-	(26,091)	(23,575)
Outsourced services	(20,976)	-	(87,376)	(114,379)
Others	(344)	-	(64,916)	(7,882)
	(238,889)	**-**	**(1,899,594)**	**(1,875,092)**
General and administrative expenses				
Depreciation and amortization	(43,833)	(3,038)	(75,935)	(51,964)
Environmental expenses	(1,001)	(527)	(1,029)	(3,054)
Rental expenses	(2,756)	(3,271)	(3,040)	(6,586)
Costs with exploration and dry well	(92,671)	-	(92,671)	(105,023)
Personnel expenses	(125,113)	(92,674)	(136,269)	(113,856)
Taxes and contributions	(2,410)	(946)	(65)	(1,931)
Consumption material	(2,998)	(1,210)	(3,170)	(2,027)
Administrative insurance	(1,267)	(648)	(1,461)	(2,275)
Shared services - Cost sharing	45,410	45,336	-	-
Outsourced services	(49,660)	(31,825)	(34,704)	(32,823)
Others	(1,524)	(6,114)	(24,777)	(10,553)
	(277,823)	**(94,917)**	**(373,121)**	**(330,092)**
Other income and expenses				
Provision for loss in investment	(2,198)	(434)	(4,385)	(793)
Loss in the disposal of goods	-	-	(5,598)	(113)
Investment Evaluation - Pecém II	-	56,809	-	56,809
Gain in advantageous purchase in the acquisition of Pecém II in 2018	-	135,573	-	135,573
Contingencies	(9,143)	(1,051)	(29,667)	(2,500)
PIS/COFINS credit	33,705	-	33,705	-
Reversal of impairment of Itaqui	-	-	127,114	-
Other income (expenses)	(16,972)	546	(16,845)	14,072
	5,392	**191,443**	**104,324**	**203,048**
	(511,320)	**96,526**	**(2,168,391)**	**(2,002,136)**

In the consolidated, we can see that the cost group remained in line with the previous year, with an approximate variation of 1%. We can highlight as main effects the increase in depreciation and amortization generated mainly by the consolidation of Pecem II Geração de Energia SA ("Pecem II"), which occurred in April 2018 and the decrease in the generation inputs account, due to the reduced availability of thermoelectric plants during 2019, mainly due to the scheduled maintenance shutdown of Pecem II and Parnaíba I.

As for the parent company, the variation is due to the merger of the subsidiary Parnaíba Gás Natural ("PGN"), which took place on December 28, 2018, whose effects did not impact 2018.

In general and administrative expenses, the increase was 13.03% in relation to the comparative year, substantially impacted by the consolidation of Pecem II, which was offset by the decrease in spending with acquisition of geophysical data in 2019.

For the group of other revenues, we highlight the unappealable decision of the Federal Regional Court of the 2nd Region that accepted the request of Parnaíba Gás Natural SA (PGN), incorporated by Eneva SA in 2018, to exclude the Service Tax from the PIS/COFINS calculation basis, and recognized the right to compensation for the amount unduly paid by the

former PGN in the past 5 years. Accordingly, the Company recorded R$ 42,750, being R$ 33,705 related to the principal amount and R$ 9,045 related to the increase of Selic Interest recognized as "finance income".
Furthermore, in 2019, a reversal of part of the impairment recorded in previous years was recorded, according to Note 15.2.

28. Finance income/costs

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial costs				
Debt charges	(63,563)	(119,007)	(217,549)	(379,241)
Fine and interest paid or incurred	(714)	(63)	(3,094)	(27,619)
Amortization transaction cost borrowings	(1,239)	-	(40,878)	(49,885)
Commission on bank guarantees	(1,576)	(84)	(2,419)	(22,185)
Interest on provision for abandonment costs	(6,433)	-	(6,906)	(5,846)
Interest on lease liabilities	(9,551)	-	(11,207)	-
Interest on loans	-	-	(509)	(608)
Debentures interest	(59,962)	-	(214,205)	(72,080)
Losses with derivatives	-	(23)	-	(1,524)
Exchange and monetary variation	(22,556)	(39,700)	(63,077)	(86,145)
Others	(9,080)	(8,799)	(28,926)	(45,911)
	(174,674)	**(167,676)**	**(588,770)**	**(691,044)**
Finance income				
Financial investment	36,300	13,082	96,026	65,197
MTM power contracts	970	-	11,414	-
Interest on debentures	-	61,326	-	11,554
Fines and interest received or earned	28	-	4,738	19,916
Earnings from loans	31,863	36,807	1,384	5,892
Exchange and monetary variation	20,592	17,125	41,742	68,834
Others	12,124	753	23,286	15,319
	101,877	**129,093**	**178,590**	**186,712**
Finance income/costs	**(72,797)**	**(38,583)**	**(410,180)**	**(504,332)**

The main changes in 2019 consist of a reduction in interest incurred on loans ("debt charges") and debentures (interest on debentures), mainly due to the restructuring of the Company's debts and the issue of debentures at more attractive costs.

29. Insurance coverage

It is the policy of the Company and its direct and indirect subsidiaries to take out insurance coverage for the assets subject to risk at amounts considered by management sufficient to cover any incidents, considering the nature of their activity. The policies are in force and the premiums have been paid.

At December 31, 2019 and 2018, the main risks covered are:

	Consolidated	
	2019	2018
Material damages		
Operating risks	10,339,265	9,939,362
Oil risks	318,522	306,202
Civil liability		
Oil risks	40,307	38,748
Civil liability	210,000	210,000
D&O	200,000	200,000
Ceasing profits		
Operating risks	4,136,131	3,976,153
	15,244,225	**14,670,465**

The main effective policies are the following:

Insurance company	Modality	Value at risk	Maximum Indemnity Limit	Effectiveness	Award
					Consolidated 2019
		In thousands of reais and thousands of U.S. dollars			
Chubb/Sompo/AXA	Operating risks	USD 3,591,287	USD 500,000	8/1/2018 to 2/1/2020	USD 10,412
Sompo	General civil liability	BRL	BRL 135,000	8/1/2019 to 2/1/2021	BRL 300
Tokio Marine / Swiss	General civil liability	BRL	BRL 50,000	7/1/2019 to 7/1/2020	BRL 177
AIG	Managers' civil liability	BRL	BRL 200,000	8/30/2018 to 2/28/2020	BRL 773
Tokio Marine	Port operator civil liability	BRL	BRL 25,000	8/23/2019 to 8/23/2020	BRL 26
Tokio Marine	Oil risk	USD 89,024	USD 89,024	9/1/2018 to 3/1/2020	USD 116
Tokio Marine / AXA / Fairfax	Insurance Guarantee (13th Round)	BRL	BRL 108,482	12/22/2015 to 6/20/2020	BRL 2,741
Pottencial	Insurance Guarantee (14th Round	BRL	BRL 55,350	1/31/2018 to 7/31/2024	BRL 2,741
Junto Seguros	Insurance Guarantee (Permanent Offer)	BRL	BRL 54,188	12/15/2019 to 8/27/202	BRL 581
FairFax/Junto Seguros/Pottencial	Insurance Guarantee	BRL	BRL 164,565	8/15/2019 to 7/1/2024	BRL 1,378

30. Commitments

Minimum Exploratory Program ("PEM")

On December 31, 2019 and 2018, the PEM balance related to the 13th and 14th rounds to be met before ANP is as follows:

PEM with guarantee insurance	Work Units	In 2018	Additions	Write-offs	In 2019
PN-T-69	3010	13,545	-	(13,545)	-
PN-T-87	3010	13,545	-	(13,545)	-
PN-T-84	2061	6,492	-	-	6,492
PN-T-101	7003	31,513	-	(25,179)	6,334
PN-T-103	7003	31,513	-	(31,513)	-
PN-T-146	1010	4,545	9,000	-	13,545
PN-T-163	1010	4,545	9,000	-	13,545
PN-T-117	400	8,200	-	-	8,200

PN-T-118	600	12,300	-	-	12,300
PN-T-119	600	12,300	-	-	12,300
PN-T-133	500	10,250	-	-	10,250
PN-T-134	600	12,300	-	-	12,300
		161,048	**18,000**	**(83,782)**	**95,266**

On December 21, 2019, for blocks PN-T-146 and PN-T-163, a seismic program was completed, ensuring full compliance with the Minimum Exploratory Program. The policies will be returned to the Company as soon as the analysis of the data acquired in the seismic program is completed.

In parallel, financial guarantees in the amount of R$ 9,000,000.00 (nine million reais) were presented in order to ensure the commitment to drill 1 (one) well in each of the contracts, ending on June 23, 2022.

The blocks of the 14th round (PN-T-117, PN-T-118, PN-T-119, PN-T-133 and PN-T-134) have a sole exploratory period with a 6-year term, whose beginning occurred in 2018. In these blocks the seismic acquisition will start in 2020, after the end
of the program of the blocks PN-T-146 and PN-T-163. This data will promote the regional recognition of the area and will be enough to comply with the PEM of the blocks of the 14th round.

Additionally, it should be noted that the Company won the 1st Bidding Cycle for the Permanent Offering of Exploratory Blocks and Marginal Accumulations, carried out by the National Agency of Petroleum, Natural Gas and Biofuels (“ANP”) on September 10, 2019. In compliance with the requirements of the Invitation to Bid, financial guarantees were sent to the ANP to ensure compliance with the minimum exploratory program for blocks PN-T-66, PN-T-67A, PN-T-102A, PN-T-68, PN -T-47 and PN-T-48A. The guarantees have already been delivered to the ANP and will be effective from the signing of the Concession Contracts, which occurred on February 14, 2020. The amounts of these guarantees are as follows:

PEM with guarantee insurance	Amount of the guarantees
PN-T-66	176
PN-T-67A	2,066
PN-T-102.A	6,894
PN-T-68	8,216
PN-T-47	11,666
PN-T-48. A	8,905

31. Events after the reporting period

Corporate restructuring of subsidiary

On January 2, 2020, Parnaíba I Geração de Energia S.A., holder of the grants of the UTE Maranhão IV and UTE Maranhão V undertakings, was incorporated by Parnaíba Geração e Comercialização S.A (“PGC”). PGC is the special purpose company holding the concession for the UTE Parnaíba 5A and 5B project, known as the Cycle Closure Project of the UTEs Maranhão IV and Maranhão V (“Parnaíba V”)

The restructuring is in line with the Company's strategic development, generating better contract management, cost and expense control, simplifying the corporate structure and taking advantage of synergies between the companies involved, resulting in a reduction in the number of companies and costs related to corporate, tax and regulatory aspects.

Issuance of debentures

On January 17, 2020, the Company's Board of Directors approved the issue of 600,000 (six hundred thousand) simple, non-convertible debentures, of unsecured type, in up to 4 (four) series in the total amount of R$ 600,000,000.00 (six hundred million reais) (“Offer”).

On February 20, 2020, the investment intention collection procedure (“bookbuilding”) was carried out, where debentures were allocated in the 1st and 3rd series.

On March 5, 2020, the Company's request was granted by the CVM to disregard the protocol of the Offer documents carried out on February 27, 2020, containing the result of the bookbuilding procedure, motivated by the disclosure of a relevant fact regarding the binding proposal business combination between the Issuer and AES Tiete Energia SA ("Operation").

On March 13, 2020, the Company proceeded with the request to cancel the registration of the Offer, due to the unfavorable market situation.

Financing contract signed with BASA

Banco da Amazônia S.A. ("BASA") approved the financing proposal of R$ 1.0 billion (one billion reais) for Azulão Geração de Energia S.A. The funds will be used for the construction, operation and maintenance of the Azulão-Jaguatirica integrated project, which comprises the UTE Jaguatirica II thermoelectric plant and the gas production and supply infrastructure from the Azulão field, in the Amazon Basin. The financing proposal has a maturity of up to 196 months from the date of its execution and disbursement of funds in accordance with the fulfillment of certain precedent conditions and project schedule.

On February 11, 2020, the contract was signed.

Proposal of Business Combination with AES Tietê

On March 1, 2020, the Company sent a binding proposal for a business combination to AES Tietê Energia S.A. ("AES Tietê"). The Proposal submitted to the Board of Directors of AES Tietê aims to aggregate the businesses of the two companies ("Operation"), resulting in the unification of the shareholding bases in a listed public company, with a solid portfolio of assets, complementary resources and the potential to benefit from significant operational and financial synergies.

The proposal is to implement the Business Combination through the incorporation or incorporation of AES Tietê shares by Eneva, whose structure should include at the end (i) the delivery of shares issued by Eneva to AES Tietê shareholders; and (ii) the payment of a portion in cash, by Eneva or by a company controlled by it, to the shareholders of AES Tietê.

The Transaction that is the object of the Proposal is subject to (i) approval by the shareholders of the Company and AES Tietê at a general meeting; (ii) prior approval by the Administrative Council for Economic Defense - CADE; and (iii) prior approval by the National Electric Energy Agency - ANEEL.

Continuing the proposed business combination, on March 12, 2020, AES Tietê was informed of the acquisition of shares representing 0.5% of its capital.

This proposal is valid for 60 (sixty) days as of this date and is subject to the occurrence of no material adverse changes in market conditions or in the businesses of the companies.

Effect of the coronavirus on the financial statements

The Company has been following the progress of the pandemic of the new Coronavirus (Covid-19) and until the date of the presentation of the financial statements no significant impact has been observed on the economic activities of the main areas where the Company operates. Although it is not possible to predict at this time the extent, severity and duration of the impacts of the Covid-19 virus.

The Company will continue to closely monitor the development of this matter and any changes will be informed to the market.

Board of Directors

Jerson Kelman
President

José Aurélio Drummond Jr.
Vice president

Directors:
Edwyn Neves
Guilherme Bottura
Lavinia Hollanda
Marcelo Pereira Lopes de Medeiros
Renato Antônio Secondo Mazzola

Executive Board

Pedro Zinner
Chief Executive Officer

Lino Lopes Cançado
Executive Officer

Marcelo Habibe
Executive Officer

Luis Vasconcelos
Executive Officer

Ana Paula Alves do Nascimento
CRC-RJ 086983/O-0
Controller

Bruno Campelo de Azevedo
CRC-RJ 106648/O-9
Accountant

eneva