FINANCIAL STATEMENTS

Eneva S.A.

December 31, 2020

Independent auditors' report on the financial statements

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Financial Statements

Notes to the Financial Statements

Balance Sheet

On December 31, 2020 and 2019
(All amounts in thousands of reais)

	Note	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Assets					
Current assets					
Cash and cash equivalents	7	275,334	1,006,475	1,384,933	1,517,583
Marketable securities	8	144,570	105,493	511,317	270,652
Trade receivables	9	1,413	2,150	700,964	695,181
Inventories	10	45,277	30,307	179,015	102,211
Prepaid expenses		7,042	4,569	29,411	9,133
Income tax and social contribution recoverable	11	22,039	30,346	73,022	92,544
Other taxes recoverable	11	6,949	6,752	19,846	25,391
Derivative financial instruments	18	-	-	-	6,698
Dividends and interest on capital receivable	21	62,192	24,354	-	392
Judicial deposits		2,229	2,290	2,412	2,473
Related-party transactions	21	140,802	21,753	-	-
Advances to suppliers		2,171	6,249	23,070	99,202
Others		-	-	6,412	1,660
		710,018	1,240,738	2,930,402	2,823,120
Non-current assets held for sale		-	-	-	2,730
		710,018	1,240,738	2,930,402	2,825,850
Non-current assets					
Long-term receivables					
Judicial deposits		1,882	1,489	3,770	3,355
Related-party transactions	21	139,355	253,277	51	4,845
Related-parties loans	21	1,673,447	538,131	-	11,863
Income tax and social contribution recoverable	11	531	57,177	6,233	61,447
Other taxes recoverable	11	109,996	99,269	110,243	102,076
Deferred income tax and social contribution	11	503,142	250,452	865,059	660,077
Others		94	109	7,485	891
		2,428,447	1,199,904	992,841	844,554
Investments	12	6,287,200	4,762,537	9,633	5,330
Property, plant and equipment	13	2,413,979	2,009,892	10,946,675	8,805,604
Intangible assets	14	898,610	917,308	1,338,545	1,381,806
		12,028,236	8,889,641	13,287,694	11,037,294
		12,738,254	10,130,379	16,218,096	13,863,144

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

Balance Sheet
Continuing

On December 31, 2020 and 2019
(All amounts in thousands of reais)

	Note	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Liabilities					
Current liabilities					
Trade payables	15	44,523	113,604	492,456	598,155
Borrowings and financings	17	15,613	12,117	19,193	178,185
Debentures	17	11,886	9,195	118,520	105,313
Lease		25,720	23,405	34,729	31,531
Income tax and social contribution payable	16	4,394	24,947	36,998	94,147
Other taxes payable	16	41,612	33,181	67,086	58,957
Derivative financial instruments	18	-	-	2,391	7,107
Social and labor obligations		34,643	17,198	49,070	27,854
Profit sharing		51,255	51,053	78,947	73,417
Trade payables - electric power sector		-	-	12,455	11,922
Research and development - electric power sector	25 (e)	-	-	82,603	79,705
Provision - reimbursement cost	25 (f)	-	-	64,445	73,865
Other payables		4,074	4,952	7,046	5,367
		233,720	289,652	1,065,939	1,345,525
Liabilities related to non-current assets held for sale		-	7,403	-	7,403
		233,720	297,055	1,065,939	1,352,928
Non-current liabilities					
Trade payables	15	2,338	4,814	44,382	31,704
Borrowings and financings	17	64,605	79,956	1,311,099	1,221,229
Debentures	17	4,273,366	2,628,122	5,593,853	4,051,815
Lease		42,614	68,231	66,239	70,234
Related-party transactions	21	105,629	45,917	168	375
Contractual retention		-	-	4,330	4,330
Provision for uncovered liability	12.5	4,298	3,185	-	-
Provision for contingencies	19	6,871	22,611	92,603	92,845
Provision for decommissioning costs	20	70,650	75,748	75,109	81,022
Deferred income tax and social contribution	11	-	-	32,692	50,985
Other payables		-	2,306	942	5,596
		4,570,371	2,930,890	7,221,417	5,610,135
Total liabilities		4,804,091	3,227,945	8,287,356	6,963,063
Equity	22				
Share capital		8,848,409	8,834,907	8,848,409	8,834,907
Capital reserve		25,418	15,640	25,418	15,640
Tax incentives reserve		253,071	110,725	253,071	110,725
Other comprehensive income		10,775	9,541	10,775	9,541
Accumulated losses		(1,203,510)	(2,068,379)	(1,203,510)	(2,068,379)
Shareholders' equity attributable to controlling shareholders		7,934,163	6,902,434	7,934,163	6,902,434
Interest of non-controlling stockholders		-	-	(3,423)	(2,353)
Total shareholders' equity		7,934,163	6,902,434	7,930,740	6,900,081
		12,738,254	10,130,379	16,218,096	13,863,144

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

Statements of Operations

Years ended December 31, 2020 and 2019
(All amounts in thousands of reais)

		Parent Company		Consolidated	
	Note	2020	2019	2020	2019
Sales and services income	25	780,855	732,433	3,243,309	3,137,369
Cost of sales and services	26	(251,163)	(238,889)	(1,745,379)	(1,899,594)
Gross profit		529,692	493,544	1,497,930	1,237,775
Operating costs/income					
General and administrative	26	(360,757)	(277,823)	(448,537)	(373,121)
Other operating income (expenses)	26	29,695	5,392	76,144	104,324
Equity in the result of investees	12	554,852	397,606	(8,763)	(2,339)
Result before finance income (costs) and taxes		753,482	618,719	1,116,774	966,639
Finance income/costs					
Finance income	27	150,691	101,877	192,058	178,590
Financial costs	27	(148,822)	(174,674)	(491,712)	(588,770)
Result before income taxes		755,351	545,922	817,120	556,459
Income tax and social contribution on income					
Current	11	(434)	(17,280)	(33,858)	(39,483)
Deferred	11	252,689	72,156	223,274	82,104
Profit for the year		1,007,606	600,798	1,006,536	599,080
Attributed to the owners of the parent company		1,007,606	600,798	1,007,606	600,798
Attributed to the non-controlling shareholders		-	-	(1,070)	(1,718)
Earnings per shares attributable to the owners of the parent during the year (expressed in R$ per share)					
Basic earnings per share	23	-	-	3.19081	1.90521
Diluted earnings per share	23	-	-	3.17618	1.89101

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

Statements of Comprehensive Income

Years ended December 31, 2020 and 2019

(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Profit for the year	1,007,606	600,798	1,006,536	599,080
Other comprehensive income				
Items that will be reclassified later to the result				
Cumulative translation adjustments	(3,329)	2,046	(3,329)	2,046
Carrying value adjustments	6,954	(4,477)	6,954	(4,477)
Total items that will be reclassified later to the result	3,625	(2,431)	3,625	(2,431)
Items that will not be reclassified to the result				
Losses with derivatives	(2,391)	-	(2,391)	-
Total comprehensive income for the year	1,008,840	598,367	1,007,770	596,649
Comprehensive income attributed to minority interest	-	-	(1,070)	(1,718)
Comprehensive income attributed to Eneva's shareholders	1,008,840	598,367	1,008,840	598,367

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

Statements of Changes in Equity

Years ended December 31, 2020 and 2019
(All amounts in thousands of reais)

	Paid-in share capital	Revenue reserves: Legal reserve	Revenue reserves: Stock options awarded	Revenue reserves: Tax incentives reserve	Other comprehensive income	Accumulated Losses	Total Controllers' Equity	Non-controlling interests	Total Consolidated Shareholders' Equity
At January, 2019	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 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 period	-	-	-	-	2,046	-	2,046	-	2,046
Carrying value adjustment: assets 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
Capital increase	13,502	-	(13,502)	-	-	-	-	-	-
Tax incentive SUDENE	-	-	-	78,973	-	(79,364)	(391)	-	(391)
Tax incentive ICMS	-	-	-	63,373	-	(63,373)	-	-	-
Transactions with shareholders:									
Profit for the year	-	-	-	-	-	1,007,606	1,007,606	(1,070)	1,006,536
Fair value of asset instruments	-	-	23,280	-	-	-	23,280	-	23,280
Other comprehensive income:									
Foreign currency translation adjustments for the period	-	-	-	-	(3,329)	-	(3,329)	-	(3,329)
Carrying value adjustment: assets held for sale	-	-	-	-	6,954	-	6,954	-	6,954
Losses with derivatives	-	-	-	-	(2,391)	-	(2,391)	-	(2,391)
At December 31, 2020	8,848,409	-	25,418	253,071	10,775	(1,203,510)	7,934,163	(3,423)	7,930,740

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

Statements of Cash Flows

Years ended December 31, 2020 and 2019
(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash flows from operating activities				
Result before income taxes	755,351	545,922	817,120	556,459
Adjustments to reconcile the result to the cash flows from operating activities:				
Depreciation and amortization	153,968	157,326	482,150	490,053
Write-off of properties, plants and equipment and intangible assets	-	-	23,708	19,905
Equity result	(554,852)	(397,606)	8,763	2,339
Write-off of dry wells and subcommercial areas	19,308	36,986	19,308	36,986
Recovery of tax credits and interest	-	(42,234)	-	(39,561)
Provision (reversal) for contingencies	(17,302)	10,078	(25,692)	29,667
Reversal of impairment of Itaqui	-	-	(52,777)	(127,114)
Financial result, net	(15,319)	87,829	217,594	404,191
Amortization of funding cost	9,528	1,239	27,961	40,878
	350,682	399,540	1,518,135	1,413,803
Increase / Decrease in operating assets and liabilities:				
Sundry advances	4,078	(3,421)	76,132	(73,963)
Prepaid expenses	(2,439)	5,003	(27,632)	25,361
Trade receivables	737	(2,150)	(28,453)	(326,854)
Taxes recoverable	465	59,034	65,276	55,289
Judicial deposits	(332)	(1,103)	(354)	25,788
Inventory	(14,970)	4,670	(76,804)	83,246
Taxes and contributions	(3,359)	14,615	(37,489)	28,264
Assets and liabilities held for sale	-	10,448	-	-
Trade payables	(224,942)	9,776	(266,421)	91,669
Provisions and labor charges	17,647	13,556	26,746	16,827
Loans	(1,061,204)	4,850	819	2,820
Commercial operations	54,585	(80,897)	4,587	(26,065)
Pre-payments received CCC	-	-	20,216	44,091
Dividends receivable	-	(13,118)	-	-
Other assets and liabilities	22,670	9,545	16,584	37,894
	(1,207,064)	30,808	(226,793)	(15,633)
Income tax and social contribution paid	(9,197)	(4,384)	(45,389)	(31,924)
Dividends received	-	13,753	-	-
Net cash and cash equivalents provided by (used in) the operating activities	(865,579)	439,717	1,245,953	1,366,246
Cash flow from investing activities				
Acquisition of properties, plants and equipment and intangible assets	(305,240)	(168,237)	(2,087,981)	(829,917)
Capital transfer to investee	(837,515)	(319,001)	(2,100)	(1,000)
Advance for future capital increase	(57,471)	(356,601)	-	-
Receipt for the sale of interest in subsidiaries	18,782	-	18,782	-
Marketable securities	(16,156)	13,206	(194,967)	(17,304)
Net cash and cash equivalents used in the investing activities	(1,197,600)	(830,633)	(2,266,266)	(848,221)
Cash flow from financing activities				
Interest on lease liabilities	(24,657)	(28,195)	(57,734)	(39,623)
Transfer of capital from minority interest	-	-	-	13,524
Funding	2,097,968	2,664,004	3,371,097	3,414,004
Amortizations of principal - financings	(511,869)	(1,574,676)	(2,024,276)	(3,083,148)
Interest paid	(159,286)	(78,323)	(354,305)	(382,700)
Funding costs	(70,118)	(37,469)	(92,249)	(55,224)
Secured deposits	-	-	45,130	(19,541)
Cash and cash equivalents provided by (used in) the financing activities	1,332,038	945,341	887,663	(152,708)
Increase / Decrease in cash and cash equivalents	(731,141)	554,425	(132,650)	365,317
Statement of the variation in cash and cash equivalents				
At the beginning of the year	1,006,475	452,050	1,517,583	1,152,266
At the end of the year	275,334	1,006,475	1,384,933	1,517,583
Increase / Decrease in cash and cash equivalents	(731,141)	554,425	(132,650)	365,317

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

Statements of Added Value

Years ended December 31, 2020 and 2019
(All amounts in thousands of reais)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Revenue	**906,466**	**865,679**	**3,649,119**	**3,462,970**
Sales of goods, products and services	888,327	830,426	3,545,106	3,424,069
Other revenue	18,139	35,253	104,013	38,901
Consumables acquired from third parties (including ICMS and IPI)	**(234,225)**	**(217,753)**	**(1,222,831)**	**(1,284,634)**
Materials, electricity, outsourced services and others	(230,959)	(205,808)	(943,194)	(1,265,394)
Generation inputs	-	-	(328,421)	(128,499)
Impairment and recovery of assets	(3,266)	(11,945)	48,784	109,259
Gross value added	**672,241**	**647,926**	**2,426,288**	**2,178,336**
Depreciation and amortization	(153,968)	(157,326)	(482,150)	(490,053)
Net value added generated by the entity	**518,273**	**490,600**	**1,944,138**	**1,688,283**
Transferred value added	**745,509**	**544,893**	**183,295**	**176,251**
Equity in the result of investees	554,852	397,606	(8,763)	(2,339)
Finance income	109,654	69,939	186,864	167,246
Interest on loan operations and debentures	40,354	31,863	-	1,384
Shared services	39,966	45,410	-	-
Others	683	75	5,194	9,960
Total value added to be distributed	**1,263,782**	**1,035,493**	**2,127,433**	**1,864,534**
Distribution of value added	**1,263,782**	**1,035,493**	**2,127,433**	**1,864,534**
Personnel	**152,783**	**130,039**	**304,776**	**295,350**
Direct remuneration	87,621	96,598	202,162	217,126
Benefits	59,901	28,982	91,963	67,807
FGTS and contributions	5,261	4,459	10,651	10,417
Taxes and contributions	**(46,896)**	**117,368**	**311,640**	**344,634**
Federal	(139,143)	43,225	184,680	319,615
State	25,688	25,252	28,679	(58,292)
Municipal	845	201	1,177	416
Fees and contributions	65,714	48,690	97,104	82,895
Remuneration of third-parties' capital	**150,289**	**187,288**	**504,481**	**625,470**
Interest on borrowings, CCI and debentures	85,058	60,676	287,206	217,299
Other finance costs	41,226	87,707	74,942	295,941
Exchange and monetary variation	17,544	22,556	121,056	63,077
Rent	6,285	6,587	19,323	18,397
Others	176	9,762	1,954	30,756
Remuneration of own capital	**1,007,606**	**600,798**	**1,006,536**	**599,080**
Profit for the year	1,007,606	600,798	1,007,606	600,798
Profit/(Loss) for the year attributable to the non-controlling stockholders	-	-	(1,070)	(1,718)

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

Notes
to the Financial Statements

(All amounts in thousands of reais unless otherwise stated)

1. Operations

SUMÁRIO

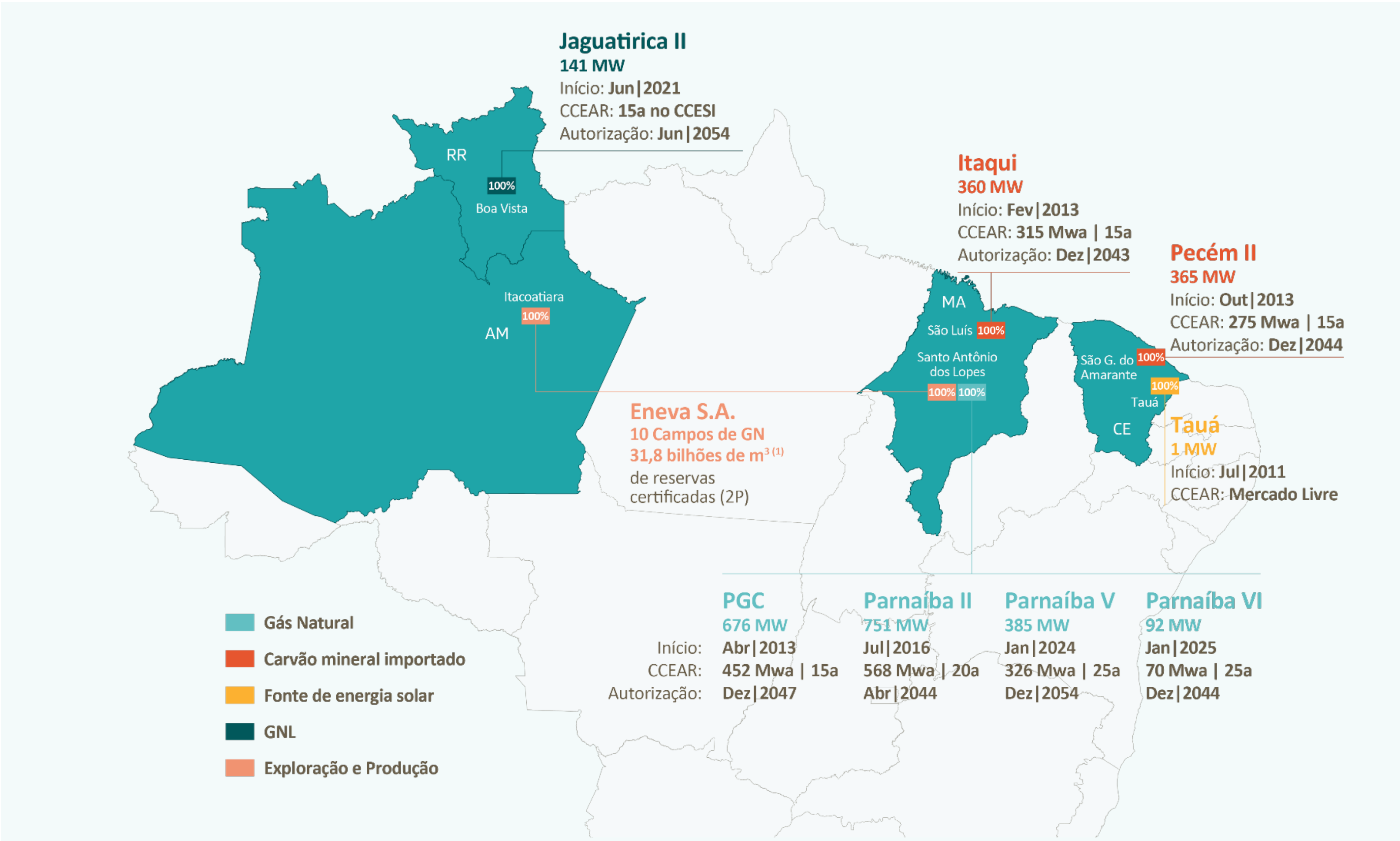
Eneva S.A. ("Company" or "Group") is a publicly traded company registered in B3 S.A. – Brasil, Bolsa, Balcão, under the code ("ENEV3"), headquartered in the Municipality and State of Rio de Janeiro, which operates in the generation and trade of electric power and in the exploration and production (E&P)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

Eneva counts on a thermal power station of 2.8 GW of installed capacity (78% operating), being 2.0 GW natural gas (74%) and 725 MW mineral coal (26%). It is the second largest company in thermal capacity in the country, responsible for 9% of the national installed thermal capacity.

Currently, the Company 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, with an exploratory area of 64 thousand km² in the Parnaíba Basin, State of Maranhão, and in the Amazon Basin, in the State of Amazonas.

Ventures



(¹) Unaudited information.

1.1 Significant events in the year:

COVID-19 pandemic- Context, initiatives and impacts

The pandemic dramatically changed the global scenario and created huge challenges in all the aspects of the society, mainly related to the economy security.

The Company has been paying attention to the evolution of the pandemic, maintaining all measures to preserve the health and safety of its employees (own and third parties') and to support communities in the locations where it operates. As a way of contributing to the fight against the virus, the Company continues to carry out voluntary actions to assist families in the most vulnerable situation and health professionals in the areas where it operates, focusing on preventive measures such as donations of personal hygiene kits, cleaning supplies, basic food baskets, pulmonary ventilation devices, medicines, gas cylinders, oxygen concentrators for the public health system and support for the installation of a field hospital. Besides these actions, the Company keeps on adopting the remote work for some administrative and non-operational positions and the quick tests for its employees.

(a) Revenue recognition and evaluation of credit losses

The Company's revenues arise mainly (98%) from energy trading agreements in the regulated environment ("CCEAR"), with defined prices, volume and terms. This environment is strongly regulated with mechanisms to mitigate the risk of default by its agents (buyers and sellers). Therefore, so far, the Company has not identified a material impact resulting from the pandemic in its operating revenues arising from the power generation segment (gas thermal and coal thermal). There was also no change in the risk matrix, which impacted the probability of realization of its receivable linked to this segment, as established in CPC 48 - Financial Instruments.

Regarding the revenue arising from the energy trade segment, the Company adopted strict criteria for assessing the counterparties' credit risk. For this reason, we are not carrying out operations with agents that may be more affected by COVID-19. Furthermore, we are demanding additional guarantees to carry out new businesses. Accordingly, we also have not identified any change in the risk matrix, which would impact the revenue recognition, as well as the probability of realization of this receivable, as established in CPC 47 - Revenue from Contract with Customers and CPC 48 - Financial Instruments.

The Company revised and updated the assumptions used in the model for calculating the net present value ("NPV") of bilateral contracts for marking to market, already reflecting the result in the interim statements, with no additional impacts expected.

(b) Assessment of indicative of impairment of non-financial assets and of recoverability of deferred income tax and social contribution

The Company monitored the main operating and macroeconomic assumptions for 2020 and 2021. The main changes were identified in the projections for the U.S. dollar and for IPCA, besides the future price of coal and natural gas. The Company concluded that, despite the changes occurred in the short-term assumptions, there was no evidence of impairment of property, plant and equipment and intangible assets (considering the useful life of each plant) and for the recoverability of deferred tax assets. See more details regarding the assumptions used in the impairment test in Note 13 - "Property, Plant and Equipment!.

(c) Projects in construction

The initial schedule of the projects in construction Parnaíba V, Azulão and Jaguatirica II suffered deviation due to the effects of the pandemic, mainly arised by delays in the supply of material e parts coming from abroad, temporary reduction of work force and, consequently, stop of the constructions. However, the Company filed a request with ANEEL for the extension of the schedule and postponement of energy delivery with exclusion of liability for Jaguatirica II and the liquefaction unit in Azulão.

It is expected that the operations of Parnaíba V will occur in the first half of 2022 and of Azulão- Jaguatirica in the second half of 2021. The progress of the constructions is in accordance with the schedule approved by ANEEL.

Operations and Finance

In the first half of 2020, the Company entered into a financing agreement with Banco da Amazônia S.A. ("BASA") of R$ 1.0 billion (one billion reais) for Azulão Geração de Energia S.A. The funds are for the construction, operations and maintenance of the integrated project Azulão-Jaguatirica, which comprises the thermal power plant UTE Jaguatirica II and the gas production and supply infrastructure of the Azulão field, in the Amazon Basin. The finance maturities within 196 months from the date it was signed and the disbursement of funds occurs according to the meeting of certain precedent conditions and project schedule.

On June 26, 2020, it was concluded the 5th issue of simple debentures in the total amount of R$ 650 million, maturing in 10 years as from the issue date. The net funds obtained by the Company through the debentures will be used for investments in the natural gas infrastructure of Parque dos Gaviões (name of the gas production plant of the Parnaíba Complex).

Furthermore, on September 18, 2020, it was concluded the 6th issue of debentures in two series in the total amount of R$ 948 million. Being R$ 374 million transferred to the first series, maturing on September 15, 2030 and IPCA rate +4.127% per year, and R$ 574 million to the second series maturing on September 15, 2035 and IPCA rate + 4.5034% per year. These funds will also be used for future payments related to the carrying out of the investment project in the natural gas infrastructure.

On December 4, 2020, we acquired 7 exploratory blocks in the Amazon and Paraná onshore basins, and the field of Juruá in the Solimões basin, int he second cycle of Permanent Offer, carried out by the the Oil, Natural Gas and Biofuel National Agency (ANP) The acquired blocks AM-T62, AM-T84 and AM-T85 in the Amazon Basin are located in the adjacencies of Azulão field, operated by Eneva. In the Solimões basin, we acquired 100% of interest in the Juruá field. The signature bonus amount offered by Eneva for Juruá was of R$ 25.7 million. In the Paraná basin, Eneva acquired 70% of interest in the PAR-T-196, PAR-T-215, PAR-T-86 and PART-99 blocks, in consortium with Enauta Energia S.A., whose interest is of 30%. The consortium will be operated by Eneva. The signature bonus total amount offered for these exploratory blocks was of R$ 2.1 million, being R$1.5 million net for Eneva.

Furthermore, the Company is participating in the divestment process of the concession of the onshore fields of Polo Urucu da Petróleo Brasileiro S.A. (Petrobras) which is in negotiation stage of the terms and conditions for the potential acquisition of the polo, as explained in Note “30 – Events after the reporting period”.

2. Licenses and authorizations

SUMÁRIO

The Company seeks excellent performance based on responsible management of the impacts that its activity can generate on society, on the environment and on the communities surrounding its operations. Through a system of control of deadlines and compliance with legal requirements, more than 100 environmental licenses and authorizations are managed, totaling more than 1,000 conditions distributed in operational units.

In 2020, the maintenance and issuance of 96 licenses and authorizations guaranteed the strengthening and expansion of the Company, mainly in the North and Northeast regions of the country. Complying with all the deadlines established for the development, construction and operation of the assets.

During this period, it stands out the issuance of (i) licenses and complementary authorizations for the construction of access roads and drop-offs, as well as for the abstraction of water to continue the installation of the integrated project Azulão-Jaguatirica; (ii) installation licenses for expansion of the gas pipeline network and natural gas production clusters in the fields Gavião Preto (GVP), Gavião Branco (GVB), Gavião Azul (GVA), Gavião Vermelho (GVV), Gavião Branco Norte (GVBN) and Gavião Caboclo (GVC) stage II; (iii) Drilling Previous Licenses (LPper) of natural gas that guaranteed the continuity in the exploration and production of natural gas in the Basin of Parnaíba and Amazonas; and, finally, (iv) Environmental Authorizations (AA) that strengthened the continuity of seismic research in the Basin of Parnaíba.

3. Presentation of the financial statements

SUMÁRIO

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 significant accounting policies used in preparing these financial statements are presented in Note 4 - “Summary of the significant accounting practices and policies”.

The financial statements were prepared considering the historical cost as value basis, except when otherwise indicated. The main accounting practices used in preparing the financial statements ate presented in the respective 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 - “Critical accounting estimates and judgments”.

The issue of these financial statements was authorized by the Executive Board and Board of Directors on March 10, 2021.

Operational continuity

Management assessed the ability of the Company and its subsidiaries to continue operating normally and concluded that, despite the impacts and uncertainty over the duration of the COVID-19 pandemic, it has the resources to continue its business in the future. Thus, these financial statements were prepared based on the continuity assumption.

Parent company financial statements

The costs relates to the debentures issued by Eneva S.A. (3rd series), whose objective is the construction of project Parnaíba V, are recorded as “investment in subsidiaries”, according to paragraph 8, of CPC 43 – Initial adoption of technical pronouncements CPCs 15 to 41.

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

Statement of value added

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. The Statement of value added was prepared according to the criteria defined in the Technical Pronouncement CPC 9 - “Statement of value added”, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

The objective of this statements is to present information related to the wealth generated by the Company and how this wealth was distributed.

Changes in accounting practices and disclosures

The Company adopted with no material impacts, the amendments to CPC 15/IFRS 3 about the definition of a business, and amendments to CPC 48/IFRS 9 and CPC 40/IFRS 7 about the Reference Interest Rate Reform as from January 1, 2020. A series of new standards also became effective as from January 1, 2020, but they had no material effect in the Company’s financial statements.

As from January 1, 2021, the standards “CPC 06 (R2) – Lease” and CPC 48 – Financial Instruments” were changed according to draft of review of technical pronouncements No. 17, which were not early adopted by the Company and should not significantly impact the parent company and consolidated financial statements .

4. Summary of the significant accounting practices and policies

SUMÁRIO

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 12 “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 Company 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 Company recognizes any non-controlling interest in the acquiree according to the non-controlling interest's proportionate share of the fair value of the acquiree'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 related parties 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

The investments held by other investors in Eneva’s subsidiaries are classified as “non-controlling interest”.

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 14 - “Intangible assets”.

The Group’s share of the profit or loss of its associates and joint ventures is recognized in the statement of operations and its share in changes in equity is recognized in the Company’s equity. When the Company’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 Company 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 Company and its associates and joint ventures are eliminated to the extent of the Company '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 recognized 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 in other comprehensive income: and accumulated 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 Profit sharing

The Company recognizes a liability and an expense for employees and offices 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.

4.4 Provisions

They are recognized when there is a present, legal or non-formalized obligation, resulting from a past event, in which it is probable that an outflow of funds will be made for its settlement, and that this obligation can be reasonably estimated. The update of the provision over time is recognized as a finance expense.

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

SUMÁRIO

In preparing these financial statements, Management used judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The real results may differ from these estimates.

The estimates and assumptions are continuously reviewed. The reviews and estimates re prospectively reviewed.

5.1 Estimates

5.1.1 Change of the impairment assumption

The Company reviewed the projection period of the cash flows used for the impairment test to maintain the uniformity of this assumption with the Strategic Plan approved by the Company. Previously, the projection period was limited to the granting period for the authorization of an Independent Energy Producer (PIE) granted by the National Electric Energy Agency (ANEEL). In this way, the projective period of future flows was extended from 2043 to 2050 and, thus, it is aligned with Eneva's strategic management assumptions. The projections also consider the probability estimated by the Company's Management to obtain an extension of the authorization grant.

This change in the accounting estimate affected the current period giving rise to the reversal of R$ 53 million related to the provision for impairment constituted in previous years of the direct subsidiary Itaqui Geração de Energia S.A.

The other assumptions used in the impairment test were maintained and are consistent with both the Strategic Plan and the tests carried out in previous years. In addition, statistical tests are carried out, such as backtesting and feedback, to continuously improve the Company's forecasting techniques.

5.1.2 Uncertainties about assumptions and estimates

(i) **Note 18 – "Financial instruments and risk management"** - financial assets and liabilities through derivatives and expectation about the commodities market.

(ii) **Note 14 – "Intangible assets"** - Natural gas reserves are calculated based on economic, geological and engineering information, such as well profiles and pressure data, among others. Reserve volumes are used to calculate depreciation/depletion/amortization rates in the units produced method 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 result from significant changes in the Company's development strategy or production capacity.

(iii) **Note 13.2 – "Impairment assessment"** - 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.

(iv) **Note 11 – "Deferred taxes recoverable"** - 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 used. The projection of future taxable profits is in line with the Company's strategic plan and the estimated period for realizing deferred taxes is 13 and 14 years.

(v) **Note 20 – "Provision for decommissioning costs"** - Impact of natural gas reserves on cost estimates with area decommissioning obligations - the estimated time of realization of the costs with area decommissioning obligations is based on the depletion period of proven reserves according to the criteria established by ANP/SPE. Revisions to reserve estimates that imply changes in the depletion period may affect the provision for dismantling areas. The accounting recognition of these obligations must be based on the present value, using a discount rate. Long periods up to the date of decommissioning and variations in the discount rate, however small they may be, can cause large variations in the amount recognized.

5.2 Judgments

Information on judgments made in the application of accounting policies that have significant effects on the amounts recognized in the financial statements are included in the following notes:

(iv) **Note 19 – "Provision for contingencies"** - 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.

6. Segment reporting

SUMÁRIO

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) holding and 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 worth noting that the operations between the Company and its subsidiaries, as well as the operations between the subsidiaries, are completely eliminated for the presentation of the balances by segment.

The segments are described as follows:

i. Gas-fired thermal plants

This segment is consists of the subsidiaries Parnaíba II Geração de Energia S.A. and Parnaíba Geração e Comercialização S.A., which make up the Parnaíba Complex in the State of Maranhão. This complex has total installed capacity of around 1.4 GW, which will increase to 2.0 GW as from the conclusion of the cycle closing works, known as Parnaíba V project, expected to be concluded in the 1st half of 2022 and Parnaíba VI project, whose objective is the expansion of the thermal power plant UTE MC2 Nova Venécia 2 ("Parnaíba II"), with additional installed capacity of 92.3 MW, expected to be concluded on the 1st half of 2025.

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

Furthermore, the gas thermal generation segment counts with the Azulão-Jaguatirica project, with installed capacity of 132.3 MW, being implanted in the Municipality of Boa Vista, in the State of Roraima, expected to be concluded in 2nd half of 2021. The project is located in an isolated system.

ii. Upstream

In this segment, the Company operated 10 natural gas fields in the Parnaíba and Amazon Basins and it also has concession contracts for exploration and production (E&P) of hydrocarbons in more than 64,000 km².

The Company is committed to the production of 8.4 million m³ of natural gas per day, totally destined to the supply of Parnaíba Complex, consolidating the Reservoir-to-Wire ("R2W") model, implemented in a pioneering way 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., which has 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. Both with energy transmission from the National Interconnected System (SIN).

iv. Energy trade

In this segment, the trade of energy contracts occurs in the Free Contract Environment ("Ambiente de Contratação Livre - ACL"), mantatorily registered in the Electricity Trade Chamber ("Câmara de Comercialização de Energia Elétrica - CCEE"), through the indirect subsidiary Eneva Comercializadora de Energia Ltda.

v. Holding and others

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

The balance sheet and the statements of operations, per segment, on December 31, 2020 and 2019, are as follows:

Equity accounts - 12/31/2020:

	Natural Gas Generation										
	Gas thermal plants	Upstream	Eliminations	Subtotal Consolidated	Coal -fired thermal plants	Eliminations	Subtotal Consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Total assets	6,603,693	6,117,417	(468,634)	12,252,476	4,698,796	(2,954)	4,695,842	155,985	833,036	(1,719,243)	16,218,096
Current assets	1,535,381	994,754	(300,994)	2,229,141	722,828	-	722,828	102,133	73,753	(197,453)	2,930,402
Cash and equivalents	918,719	275,380	-	1,194,099	170,994	-	170,994	9,638	10,202	-	1,384,933
Trade receivables	415,149	99,741	(97,999)	416,891	248,329	-	248,329	35,744	-	-	700,964
Inventory	25,227	45,277	-	70,504	108,501	-	108,501	-	10	-	179,015
Other assets	176,286	574,356	(202,995)	547,647	195,004	-	195,004	56,751	63,541	(197,453)	665,490
Non-current assets	5,068,312	5,122,663	(167,640)	10,023,335	3,975,968	(2,954)	3,973,014	53,852	759,283	(1,521,790)	13,287,694
Deferred income tax and social contribution	24,092	503,142	-	527,234	294,190	-	294,190	43,599	36	-	865,059
PPE and intangible assets	5,003,927	2,901,954	-	7,905,881	3,669,441	-	3,669,441	198	111,697	598,003	12,285,220
Other assets	40,293	1,717,567	(167,640)	1,590,220	12,337	(2,954)	9,383	10,055	647,550	(2,119,793)	137,415
Total liabilities	6,603,693	6,117,417	(468,634)	12,252,476	4,698,796	(2,954)	4,695,842	155,985	833,036	(1,719,243)	16,218,096
Current assets	804,714	332,106	(358,597)	778,223	443,342	(497)	442,845	40,271	9,737	(205,137)	1,065,939
Borrowings	3,580	15,613	-	19,193	-	-	-	-	-	-	19,193
Debentures	106,634	11,886	-	118,520	-	-	-	-	-	-	118,520
Other liabilities	694,500	304,607	(358,597)	640,510	443,342	(497)	442,845	40,271	9,737	(205,137)	928,226
Non-current assets	2,669,600	4,472,445	(110,037)	7,032,008	1,558,610	(2,457)	1,556,153	3,498	143,864	(1,514,106)	7,221,417
Borrowings	1,246,493	64,606	-	1,311,099	-	-	-	-	-	-	1,311,099
Debentures	1,320,488	4,273,365	-	5,593,853	-	-	-	-	-	-	5,593,853
Other liabilities	102,619	134,474	(110,037)	127,056	1,558,610	(2,457)	1,556,153	3,498	143,864	(1,514,106)	316,465
Non-controlling stockholders	-	-	-	-	-	-	-	-	(3,423)	-	(3,423)
Equity	3,129,379	1,312,866	-	4,442,245	2,696,844	-	2,696,844	112,216	682,858	-	7,934,163

Equity accounts - 12/31/2019:

	Natural Gas Generation										
	Gas 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 assets	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 assets	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 income tax and social contribution	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 assets	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 assets	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

	Natural Gas Generation										2020
	Gas thermal plants	Upstream	Eliminations	Subtotal Consolidated	Coal -fired thermal plants	Eliminations	Subtotal Consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Statement of income											
Net operating revenue	1,819,668	791,720	(728,265)	1,883,123	1,173,926	-	1,173,926	489,655	282	(303,677)	**3,243,309**
Cost of goods and/or services sold	(1,268,805)	(251,163)	723,805	(796,163)	(803,449)	-	(803,449)	(447,808)	(1,636)	303,677	**(1,745,379)**
Operating costs	(26,004)	(241,822)	-	(267,826)	(24,206)	-	(24,206)	(7,300)	(6,365)	(13,692)	**(319,389)**
Other operating results	(20,944)	37,550	-	16,606	60,940	-	60,940	11	(1,999)	586	**76,144**
Costs with exploration and dry well	-	(129,148)	-	(129,148)	-	-	-	-	-	-	**(129,148)**
Equity in the results of investees	-	555,965	(252,567)	303,398	47,275	(47,400)	(125)	-	130,705	(442,741)	**(8,763)**
Finance income	17,529	70,641	(3,106)	85,064	144,516	-	144,516	1,475	1,580	(40,577)	**192,058**
Finance costs	(112,278)	(71,737)	7,566	(176,449)	(351,904)	-	(351,904)	(3,656)	(280)	40,577	**(491,712)**
Provision for current and deferred taxes	(73,017)	252,256	-	179,239	(2,750)	-	(2,750)	13,248	(321)	-	**189,416**
Profit(loss) for the year	**336,149**	**1,014,262**	**(252,567)**	**1,097,844**	**244,348**	**(47,400)**	**196,948**	**45,625**	**121,966**	**(455,847)**	**1,006,536**
Attributed to the owners of the parent company	336,149	1,014,262	(252,567)	1,097,844	244,348	(47,400)	196,948	45,625	121,966	(454,777)	**1,007,606**
Attributed to the non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,070)	**(1,070)**

	Natural Gas Generation										2019
	Gas thermal plants	Upstream	Eliminations	Subtotal Consolidated	Coal -fired thermal plants	Eliminations	Subtotal Consolidated	Energy trade	Holding and others	Eliminations	Total consolidated
Statement of income											
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 services sold	(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 year	**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)**

Gross revenue between segments and customers

	2020			2019		
	Total Gross Revenue of the Segment (a)	Intercompany Gross Revenue*	Customers Gross Revenue	Total Gross Revenue of the Segment	Intercompany Gross Revenue*	Customers Gross Revenue
Gas-fired thermal plants	2,023,781	76,129	1,947,652	1,952,951	52,157	1,900,794
Upstream	888,327	884,175	4,152	830,426	826,071	4,355
Coal	1,322,023	-	1,322,023	1,450,097	-	1,450,097
Energy trader	539,565	258,501	281,064	454,860	358,062	96,798
Holding and others	312	-	312	558	-	558
	4,774,008	1,218,805	3,555,203	4,688,892	1,236,290	3,452,602

* *Deleted revenue*

(a) Analysis of the gross revenue of the segment - per category

2020	CCEAR		MCP *	Lease		Gas and Condensed	Total
	Fixed Availability	Variable	Variable	Fixed	Variable	Variable	
Gas-fired thermal plants (a)	1,282,358	348,030	393,393	-	-	-	2,023,781
Upstream (a)	-	-	-	291,773	120,242	476,312	888,327
Coal	837,817	315,869	168,337	-	-	-	1,322,023
Energy trader (b)	-	-	539,565	-	-	-	539,565
Holding and others	-	-	312	-	-	-	312
Total	2,120,175	663,899	1,101,607	291,773	120,242	476,312	4,774,008

2019	CCEAR		MCP *	Lease		Gas and Condensed	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	318,580	312,679	-	-	-	1,450,097
Energy trader	-	-	454,860	-	-	-	454,860
Holding and others	-	-	558	-	-	-	558
Total	2,067,858	730,493	1,060,115	291,773	54,568	484,085	4,688,892

* *MCP = Short Term Market (free contract environment)*

a. *Increase in the variable revenue on December 31, 2020, when compared to the same period of 2019 related to gas-fired thermal plants and Upstream, arising from the review of physical guarantee ("GF") of the UTEs Maranhão IV and V (together "Parnaíba I") and of UTE MC2 Nova Venécia 2 ("Parnaíba III").*

b. *The volume of energy traded in the trading operations increased due to market opportunities.*

7. Cash and cash equivalents

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Accounting practice

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 that at fair value.

		Parent Company		Consolidated	
		2020	2019	2020	2019
Cash and banks		3,419	2,951	43,382	34,892
Repurchase Agreements	(a)	13,760	69,250	82,977	174,386
CDB/Purchase and sale agreements	(b)	258,155	934,274	1,258,574	1,308,305
		275,334	1,006,475	1,384,933	1,517,583

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 repurchase agreements underlied by Federal government securities registered at CETIP or SELIC. These operations have daily repurchase guarantee at a rate previously established by financial institutions.*

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 increase observed in 2020 is related to the financial contributions made through the raising of debentures, for investment in projects under construction.*

The main changes in cash in the year ended December 31, 2020 were for debt servicing, including prepayments in the amount of R$ 1,788,010, besides the net investments in the business segments (construction of Parnaíba V and Azulão-Jaguatirica project) in the amount of R$ 1,711,945. The funds necessary to carry out these transactions were substantially arises from a generation of operating cash of R$ 1,245,953 and funds raising of R$ 3,371,097.

8. Marketable securities

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		Parent Company		Consolidated	
		2020	2019	2020	2019
Treasury Financial Bills (LFTs)	(a)	72,911	105,493	439,658	265,652
CDB	(b)	71,659	-	71,659	-
Capitalization securities		-	-	-	5,000
		144,570	105,493	511,317	270,652

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, 2020, the Company’s LFT portfolio holds securities whose maturities are between 2021 and 2025.*

b. *CDBs with liquidity maturity in December 2021*

9. Trade receivables

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Accounting practice

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 (PCE).

	Consolidated	
	2020	2019
Energy trading agreements in the regulated environment (CCEAR):		
Parnaíba II Geração de Energia S.A.	118,719	125,289
Parnaíba I Geração de Energia S.A. *	-	152,401
Parnaíba Geração e Comercialização de Energia S.A.	153,620	-
Pecém II Geração de Energia S.A.	99,191	98,077
Itaqui Geração de Energia S.A.	104,921	100,642
	476,451	476,409
Energy trading agreements in the free environment (ACL):		
Parnaíba II Geração de Energia S.A.	57,067	64,736
Eneva Comercializadora de Energia Ltda.	1,026	914
Pecém II Geração de Energia S.A.	29,413	45,078
Parnaíba Geração e Comercialização S.A.	85,692	-
Itaqui Geração de Energia S.A.	14,804	46,140
Parnaíba I Geração de Energia S.A. *	-	39,813
	188,002	196,681
Bilateral energy trading agreements:		
Eneva Comercializadora de Energia Ltda.	45,410	30,274
Parnaíba Geração e Comercialização de Energia S.A.	51	-
Tauá Geração de Energia Ltda.	-	30
	45,461	30,304
Condensed gas trading contracts		
Eneva S.A.	1,413	2,150
	1,413	2,150
Expected Credit Loss		
Provision for expected credit loss	(10,363)	(10,363)
	700,964	695,181

* *Incorporated on January 1, 2020 by Parnaíba Geração e Comercialização S.A.*

Credit risk assessment

The energy market is a highly regulated environment, with mechanisms that mitigate the risk of default by its agents. The financial security of the market is based on the model of a multilateral and centralized clearinghouse.

Operations carried out within the scope of the Electricity Trade Chamber (CCEE) are accounted for and settled on a multilateral basis, with no indication of party and counterparty. This model is beneficial for individual agents and for the stability of the market as a whole, minimizing the likelihood of negative impacts. Thus, all agents are guarantors of the operations to be settled.

Additionally, for contracts bilaterally traded, a risk analysis is carried out vis-à-vis the counterparties, before the operation, through audited information, market information and current situation of the company 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 have an energy deficit, subject to the current energy price in the market (PLD) and the fine at the Electricity Trade Chamber (CCEE) .

The free energy contracting market also has other forms of risk mitigation, such as contractual clauses, letter of guarantee, guarantee insurance and others.

Due to the context described above, we understand that there is no risk of loss in the accounts receivable from the Company, mainly due to the market environment in which we operate.

There are no trade receivables overdue or with loss expectation, except for the balance of Canabrava Energética S.A, in the amount of R$ 10,363 thousand, whose provision for expected credit loss was fully recognized.

The breakdown by type of receivable is described in Note 25 - "Sales and services income".

10. Inventories

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Accounting practice

The Company's inventories essentially comprise 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.

		Parent Company		Consolidated
	2020	2019	2020	2019
Material, supplies and others (a)	21,125	12,498	39,559	24,960
Coal (b)	-	-	65,530	19,631
Electronic and mechanical parts (c)	19,904	13,545	65,489	49,300
Lubricant and chemicals	4,248	4,264	8,437	8,320
	45,277	30,307	179,015	102,211

a. *Balance related to consumable material necessary for the working of UTEs and UTG, such as diesel oil, condensate, lime and hydrogen gas The balance substantially comprises inventory of condensed and hydrogen gas. In the parent company, the balance of R$ 21,125 is comprised of condensed and hydrogen gas.*

b. *Variation explained by the following factors: (i) increase in the dispatch curve observed at the beginning of the 1st semester of 2020, which demanded a rebuilding of coal inventories and (ii) decrease in the demand for energy as of the 2nd semester of 2020, due to the pandemic of COVID-19.*

c. *This comprises electronic and mechanical parts for use and replace in the maintenance operations carried out in the plants and UTG. The main amounts are recorded in the companies Itaqui Geração de Energia S.A., corresponding to R$ 24,839 and in Eneva S.A, R$ 19,904.*

11. Deferred taxes recoverable

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Accounting practice

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 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
	2020	2019	2020	2019
Income tax - IRPJ	18,805	82,209	48,318	125,757
Social contribution - CSLL	3,765	5,314	30,937	28,234
	22,570	87,523	79,255	153,991
Current assets	22,039	30,346	73,022	92,544
Non-current assets	531	57,177	6,233	61,447

The other taxes recoverable are as follows:

	Parent Company		Consolidated	
	2020	2019	2020	2019
PIS (a)	20,244	18,010	21,301	18,817
COFINS (a)	94,155	84,347	98,785	88,064
Others	2,546	3,664	10,003	20,586
	116,945	106,021	130,089	127,467
Current assets	6,949	6,752	19,846	25,391
Non-current assets	109,996	99,269	110,243	102,076

a. *This balance comprises PIS/COFINS credits on expenses with PPE in the E&P segment, whose compensation occurs in proportion to the depreciation/amortization charges.*

Deferred taxes

Deferred taxes by company and nature are as follows:

	Consolidated 2020					
	Deferred asset				Deferred liability	Net
	Tax losses/Negative basis	Temporary Differences (b)	Total (a)	Assets at fair value	Temporary Differences (c)	
Eneva	519,019	47,611	566,630	79,082	(142,570)	503,142
Itaqui	187,441	42,009	229,450	-	(20,974)	208,476
PGC	24,293	32,779	57,072	-	(76,593)	(19,521)
Parnaíba II	58,962	4,564	63,526	-	(39,434)	24,092
Energy trader	41,767	4,061	45,828	-	(2,229)	43,599
Eneva Participações	-	36	36	-	-	36
Pecém II Geração	96,801	10,940	107,741	-	(22,027)	85,714
Others	-	54	54	-	(13,225)	(13,171)
	928,283	142,054	1,070,337	79,082	(317,052)	832,367
Net deferred asset						865,059
Net deferred liability						(32,692)

	Consolidated 2019					
	Deferred asset				Deferred liability	Net
	Tax losses/Negative basis	Temporary Differences (b)	Total	Assets at fair value	Temporary Differences (c)	
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	-	(70,638)	(37,761)
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
Others	-	-	-	-	(13,224)	(13,224)
	718,430	104,535	822,965	78,062	(291,935)	609,092
Net deferred asset						660,077
Net deferred liability						(50,985)

(a) Amount constituted of deferred assets based on the estimated generation of future taxable profits:

2021	2022	2023	2024	2025	From 2026 to 2028	From 2029 to 2030	From 2031 to 2034	Total

Expectation of annual realization of the deferred taxes*	72,386	69,384	81,264	113,411	73,589	189,203	147,200	323,900	1,070,337

** The projection of future taxable profits is in line with the Company's strategic plan and the estimated period for realizing deferred taxes is 13 and 14 years.*

(b) Breakdown of the temporary differences by nature (assets):

	2020	2019
Undeductible provisions	83,142	32,281
Pre-operating expenses - RTT *	58,912	72,254
Assets - temporary differences	142,054	104,535

** 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) Breakdown of the temporary differences by nature (liabilities

	2020	2019
Accelerated depreciation	159,027	126,633
Gain for advantageous purchase	98,262	105,573
Assets' added value	27,040	29,236
Fair value adjustment	30,493	30,493
Undeductible provisions	2,230	
Liability - temporary differences	317,052	291,935

On December 31, 2020, 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 amount calculated using the combined statutory tax rate and of the expense of income tax and social contribution expense is as follows:

		Parent Company		Consolidated	
		2020	2019	2020	2019
Result for the period before IRPJ/CSLL		755,350	545,922	817,119	556,459
Nominal rate - %		34%	34%	34%	34%
IRPJ/CSLL at nominal rate		(256,819)	(185,613)	(277,821)	(189,196)
Equity in the result of investees		193,683	143,507	(2,879)	(1,053)
Subsidy for investment – ICMS	(a)	21,547	21,042	21,547	21,042
Other permanent differences		39,943	(2,004)	33,346	3,674
Not constituted tax asset	(b)	26,140	(6,770)	95,108	20,021
Benefit reduction SUDENE and PAT	(c)	11,866	10,726	60,851	51,053
Constitution of deferred	(d)	215,895	73,988	259,264	137,080
Current and deferred income tax and social contribution		252,255	54,876	189,416	42,621
Expense of current income tax and social contribution		(434)	(17,280)	(33,858)	(39,483)
Deferred income tax and social contribution		252,689	72,156	223,274	82,104
Total		252,255	54,876	189,416	42,621
Effective rate		II (33.40%)	II (10.05%)	II (23.18%)	II (7.66%)

a. *Subsidy for Investment related to the tax incentive in the State of Maranhão, granted by Law No. 9,463/2011, which consists of presumed ICMS credit on outlets for natural gas destined for the thermal power plant powered by this fuel.*

b. *This refers to the portion of deferred taxes of subsidiaries that was not recorded due to uncertainties regarding its recovery.*

c. *The most relevant 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 income tax and social contribution assets on tax loss and Social Contribution losses, whose recoverability is based on economic and financial projections based on internal assumptions and macroeconomic, commercial and tax scenarios.*

12. Investments

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12.1 Breakdown of the balances

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Equity interests	6,267,315	4,405,936	9,633	5,330
Advance for future capital increase	19,885	356,601	-	-
	6,287,200	4,762,537	9,633	5,330

The Company's equity interests include the (direct and indirect) subsidiaries, joint-ventures and the associated companies. On December 31, 2020 and 2019, the balances of the main accounts groups of the investees are as follows:

							2020
	Interest Societária	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Equity**	**Earnings (Loss)**
Subsidiaries (direct and indirect)							
Gas-fired thermal plants							
Azulão Geração de Energia S.A	99.90%	558,254	1,359,064	46,132	851,547	1,019,639	(3,736)
Parnaíba Geração e Comercialização de Energia S.A	60.72%	347,665	2,176,182	414,327	1,127,256	982,264	179,431
Parnaíba II Geração de Energia S.A.	90.00%	626,058	1,628,755	330,656	796,997	1,127,160	160,385
Upstream							
Parnaíba B.V.	100.00%	98,832	-	279	-	98,553	6,656
Coal -fired thermal plants							
Itaqui Geração de Energia S.A.	100.00%	367,159	2,266,967	259,605	734,971	1,639,550	149,342
Pecem II Geração de Energia S.A	100.00%	348,258	1,752,002	215,343	825,843	1,059,074	47,400
Pecém II Participações S.A	100.00%	1,828	1,059,074	74	3,442	1,057,386	47,606
Energy trading							
Eneva Comercializadora de Energia Ltda	100.00%	112,499	45,715	40,240	5,758	112,216	45,626
Others							
Amapari Energia S.A.	51.00%	61,313	1,188	2,215	65,683	(5,397)	(2,183)
Eneva Participações S.A.	100.00%	9,292	722,868	5,698	35,098	691,364	125,967
Jandaíra Ventos S.A.	99.90%	-	-	-	-	-	(70)
Jandaíra II Ventos S.A.	99.90%	-	-	-	-	-	(54)
SPE´s Ventos *(a)*	100.00%	3	1,905	24	462	1,422	(489)
Seival Geração de Energia Ltda.	100.00%	3,104	-	96	23,857	(20,849)	412
Sul Geração de Energia Ltda.	50.00%	-	13,120	14	1,014	12,092	69
Termopantanal Ltda.	66.67%	10	7,464	1	9,731	(2,258)	-
Termopantanal Participações Ltda.	66.67%	10	400	1	2,726	(2,317)	-
Tauá Geração de Energia Ltda *(a)*	100.00%	71	17,478	769	6,061	10,719	(1,686)
Joint ventures							
Centrais Termelétricas São Marcos S.A.	50.00%	20	-	-	-	20	(590)
MABE Construção e Administração de Projetos Ltda.	50.00%	6,455	3,224	4,617	2,789	2,273	(23,072)
PO&M - Pecém Operação e Manutenção de Geração Elétrica S.A.	50.00%	6,512	2,312	1,725	100	6,999	605
Porto do Pecém Transportadora de Minérios S.A.	50.00%	12,366	4,321	4,148	2,565	9,974	7

							2019
	Corporate Interest	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Earnings (Loss)
Subsidiaries (direct and indirect)							
Gas-fired thermal plants							
Azulão Geração de Energia S.A	99.90%	4,773	245,925	40,712	851	209,135	(1,021)
Parnaíba Geração e Comercialização de Energia S.A	60.72%	11,295	407,223	65,754	8,280	344,484	21,844
Parnaíba I Geração de Energia S.A	100.00%	421,170	1,063,555	229,356	864,379	390,990	107,794
Parnaíba II Geração de Energia S.A.	88.85%	445,546	1,604,374	202,312	897,616	949,992	88,249
Upstream							
Parnaíba B.V.	100.00%	6,012	167,404	78,962	-	94,454	64
Coal -fired thermal plants							
Itaqui Geração de Energia S.A.	100.00%	320,551	2,269,408	284,486	815,265	1,490,208	168,129
Pecem II Geração de Energia S.A	100.00%	315,039	1,811,660	223,787	891,113	1,011,799	29,854
Pecém II Participações S.A	100.00%	1,993	1,011,799	497	3,516	1,009,779	29,767
Energy trading							
Eneva Comercializadora de Energia Ltda	100.00%	67,040	62,434	59,499	3,384	66,591	12,837
Others							
Amapari Energia S.A.	51.00%	46,197	473	3,565	46,318	(3,213)	(3,505)
Eneva Participações S.A.	100.00%	383	526,849	5,127	35,800	486,305	31,701
Jandaíra Ventos S.A.	99.90%	-	-	-	-	-	(20)
Jandaíra II Ventos S.A.	99.90%	-	-	-	-	-	(18)
MPX Energia GMBH	100.00%	398	-	-	-	398	-
SPE´s Ventos	100.00%	1	1,937	25	583	1,330	(849)
Seival Geração de Energia Ltda.	100.00%	3	2,730	201	23,793	(21,261)	2,685
Sul Geração de Energia Ltda.	50.00%	-	13,134	97	1,013	12,024	(272)
Termopantanal Ltda.	66.67%	10	7,464	1	9,731	(2,258)	-
Termopantanal Participações Ltda.	66.67%	10	400	1	2,726	(2,317)	-
Tauá Geração de Energia Ltda.	100.00%	58	19,056	10,458	1,597	7,059	(1,885)
Joint ventures							
Centrais Termelétricas São Marcos S.A.	50.00%	1,343	-	733	-	610	(1,391)
MABE Construção e Administração de Projetos Ltda.	50.00%	78,043	10,817	18,883	92,070	(22,093)	6,380
PO&M - Pecém Operação e Manutenção de Geração Elétrica S.A.	50.00%	7,046	2,345	4,087	4,437	867	369
Porto do Pecém Transportadora de Minérios S.A.	50.00%	18,031	6,117	13,107	1,857	9,184	2,063

12.2 Changes in investment - equity value

Investments	%	In 2019	Transfer of Unsecured Liability	Capital payment	Advance for future capital increase	Equivalence	Amortization	Incorporation	PGC Interest	Hedge Accounting	Dividends	Write-off of investment	Capital reserve	Carrying value adjustment:	In 2020
Subsidiaries (direct and indirect)															
Azulão Geração de Energia S. A	99.90%	208,926	-	835,531	(22,105)	(3,729)	-	-	-	-	-	-	-	-	1,018,623
Parnaíba Geração e Comercialização de Energia	60.72%	128,414	-	35,924	(15,605)	110,218	-	390,990	46,209	(1,451)	-	-	-	(26,949)	667,750
Parnaíba I Geração de Energia S.A.	100.00%	390,990	-	-	-	-	-	(390,990)	-	-	-	-	-	-	-
Parnaíba II Geração de Energia S.A.	90.00%	844,068	-	1,000	-	144,340	-	-	-	-	(44,234)	-	65,000	4,270	1,014,444
Parnaíba B.V.	100.00%	94,569	-	657	-	6,656	-	-	-	-	-	-	-	(3,329)	98,553
Itaqui Geração de Energia S.A.	100.00%	1,490,208	-	-	-	149,342	-	-	-	-	-	-	-	-	1,639,550
Pecém II Participações S.A.	100.00%	1,009,778	-	-	1	47,606	-	-	-	-	-	-	-	-	1,057,385
Eneva Participações S.A.	100.00%	550,684	-	-	57,359	125,967	-	-	-	(940)	-	-	-	22,679	755,749
Others	-	6,506	-	(111)	235	(90)	-	-	-	-	-	(399)		-	6,141
Joint ventures															
Porto do Pecém Transportadora de Minérios S.A.	50.00%	4,592	-	392	-	3	-	-	-	-	-	-	-	-	4,987
Pecém Oper. e Manutenção de Ger. Elétrica S.A.	50.00%	433	-	2,764	-	303	-	-	-	-	-	-	-	-	3,500
Centrais Termelétrica São Marco S.A.	50.00%	304	-	-	-	(295)	-	-	-	-	-	-	-	-	9
MABE Construção e Administração de Projeto	50.00%	-	(11,047)	22,847	-	(10,664)	-	-	-	-	-	-	-	-	1,136
		4,729,472	(11,047)	899,004	19,885	569,657	-	-	46,209	(2,391)	(44,234)	(399)	65,000	(3,329)	6,267,827
Gains and losses on assets															
Subsidiaries (direct and indirect)															
Parnaíba Geração e Comercialização de Energia	60.72%	10,478	-	-	-	-	(464)	-	-	-	-	-	-	-	10,014
Pecém II Participações S.A.	100.00%	(146,607)	-	-	-	-	(6,457)	-	-	-	-	-	-	-	(153,064)
		4,593,343	(11,047)	899,004	19,885	569,657	(6,921)	-	46,209	(2,391)	(44,234)	(399)	65,000	(3,329)	6,124,777
Right of use															
Direct subsidiaries															
Parnaíba II Geração de Energia S.A.	88.85%	38,315	-	-	-	-	(4,454)	-	-	-	-	-	-	-	33,861
Itaqui Geração de Energia S.A.	100.00%	12,105	-	-	-	-	(511)	-	-	-	-	-	-	-	11,594
Eneva Participações S.A.	100.00%	118,774	-	-	-	-	(1,806)	-	-	-	-	-	-	-	116,968
Total investments		4,762,537	(11,047)	899,004	19,885	569,657	(13,692)	-	46,209	(2,391)	(44,234)	(399)	65,000	(3,329)	6,287,200

12.3 Breakdown of equity in the results of investees

	Parent Company	
	2020	**2019**
Equity in the result of investees	569,657	422,078
Result of unsecured liability	(1,113)	(4,975)
Amortization of assets at fair value	(13,692)	(19,497)
	554,852	**397,606**

12.4 Breakdown of non-controlling interest

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

		2020		2019	
Investments	**Interest**	**Equity**	**Result**	**Equity**	**Result**
Amapari Energia S.A.	49.00%	(2,650)	(1,070)	(1,580)	(1,718)
Termopantanal Participações	33.34%	(773)	-	(773)	-
Total		**(3,423)**	**(1,070)**	**(2,353)**	**(1,718)**

12.5 Unsecured liability

On December 31, 2020, Eneva has subsidiaries with unsecured liabilities (negative equity).

Changes in balance for the year are as follows:

Company	In 2019	Provision for Unsecured liability	In 2020
Subsidiaries (direct and indirect)			
Others			
Amapari Energia S.A.	(1,639)	(1,113)	(2,752)
Termopantanal Participações Ltda	(1,546)	-	(1,546)
Total unsecured liabilities	(3,185)	(1,113)	(4,298)

13. Property, plant and equipment

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13.1 Breakdown of the balances

Consolidated 2020

	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	Total
Cost											
At December 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
Additions (a)	200	1,706	556	850	-	210	28,538	-	1,506,836	-	1,538,896
Additions IFRS16	-	-	-	-	-	-	-	-	-	27,659	27,659
Changes in derivatives	-	-	-	-	-	-	-	-	(41,084)	-	(41,084)
Write-offs	(2,930)	(831)	(22,591)	(67)	(492)	(87)	-	-	-	-	(26,998)
Dry well	-	-	-	-	-	-	-	-	(19,308)	-	(19,308)
Supplier prepayment (b)	-	-	-	-	-	-	-	-	1,003,615	-	1,003,615
Provision for abandonment	-	-	(1,306)	-	-	-	(15,270)	-	3,074	-	(13,502)
PIS/COFINS credit	-	-	-	-	-	-	-	-	(10,840)	-	(10,840)
Transfers	4,376	79,022	213,042	4,299	173	1,227	-	-	(302,139)	-	-
Reversal of impairment	-	-	-	-	-	-	-	52,777	-	-	52,777
Transaction cost 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	852	-	852
Interest 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	38,572	-	38,572
Monetary variation 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	31,855	-	31,855
At December 31, 2020	15,245	3,218,608	4,518,861	18,839	2,450	40,685	2,559,243	(237,030)	4,046,809	155,692	14,339,402
Depreciation											
At December 31, 2019	-	(659,901)	(1,098,630)	(9,600)	(2,752)	(14,895)	(1,158,119)	26,240		(33,647)	(2,951,304)
Additions	-	(108,922)	(201,458)	(1,629)	(281)	(1,908)	(99,046)	-	-	-	(413,244)
Additions IFRS16	-	-	-	-	-	-	-	-	-	(35,845)	(35,845)
Write-offs	-	166	7,060	37	403	-	-	-	-	-	7,666
At December 31, 2020	-	(768,657)	(1,293,028)	(11,192)	(2,630)	(16,803)	(1,257,165)	26,240	-	(69,492)	(3,392,727)
Carrying amount											
At December 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
At December 31, 2020	15,245	2,449,951	3,225,833	7,647	(180)	23,882	1,302,078	(210,790)	4,046,809	86,200	10,946,675

a. *Changes are substantially represented by the equipment received for: (i) Beginning of the second stage of the construction of the Azulão-Jaguatirica II project and (ii) Advance of the construction of Parnaíba V.*

b. *Changes are substantially represented by : (i) R$ 644 million that will be for the construction of the Azulão-Jaguatirica integrated project; (ii) R$ 325 million for the construction of the Parnaíba V project. It should be noted that advances to suppliers linked to the construction of the plants have bank guarantees.*

Consolidated 2019

Cost	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	Total
At December 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 reclassification inventory	-	-	-	-	-	-	-	-	40,273	-	40,273
Changes in derivatives	-	-	-	-	-	-	-	-	(33,640)	-	(33,640)
Write-offs	-	(6,164)	-	-	-	-	-	-	(1,706)	-	(7,870)
Write off - 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 impairment	-	-	-	-	-	-	-	127,114	-	-	127,114
Transaction cost 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	214	-	214
Interest 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	15,449	-	15,449
Monetary variation 2nd issue of debentures 3rd series	-	-	-	-	-	-	-	-	9,407	-	9,407
At December 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 off - 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

Accounting practice

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:

(i) The cost of materials and direct labor;

(ii) Any other costs to bring the asset to its location and condition necessary so it can be operated as intended by Management;

(iii) The dismantling costs, and the restoration of the site where these assets are located; and

(iv) 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
Rights of use	From 1 to 28 years

Depreciation of generation PPE

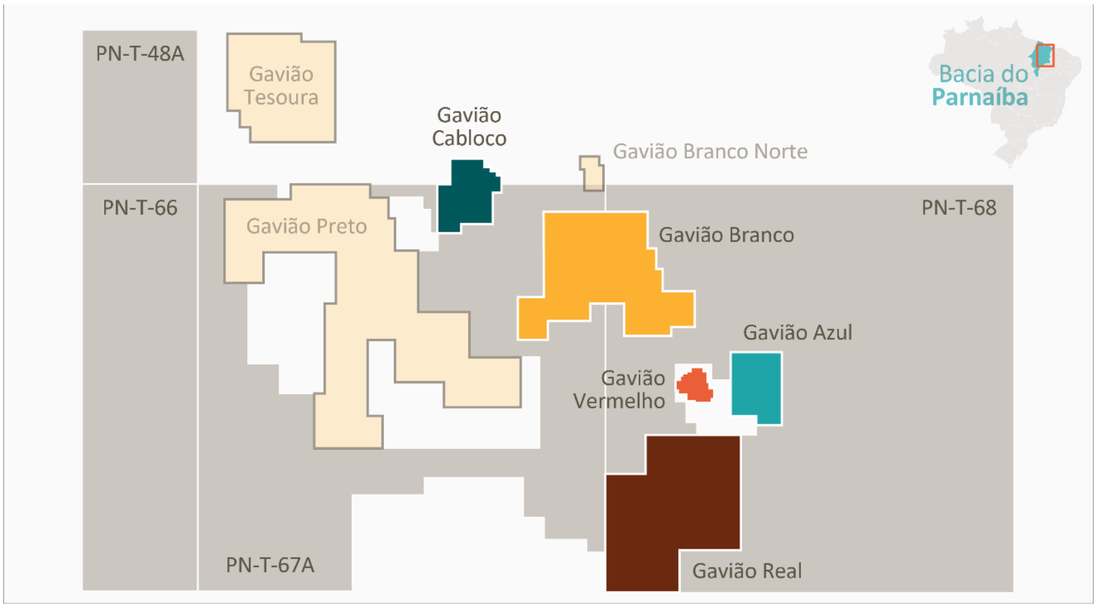
Items of generation property, plant and equipment are depreciated by the straight-line method in the statement of operations for the year, based on the useful estimated economic life of each component, as from the beginning of its operation.

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 independent consulting company, and based on this information, the Company maintains its depreciation records for produced units.

It is as follows*:



* informação não auditada

	Gavião **Real** 2020	Gavião **Real** 2019	Gavião **Vermelho** 2020	Gavião **Vermelho** 2019	Gavião **Branco** 2020	Gavião **Branco** 2019	Gavião **Caboclo** 2020	Gavião **Caboclo** 2019	Gavião **Azul** 2020	Gavião **Azul** 2019
Volume recuperável em bilhões m³ **(a)**:	9,7840	9,6701	2,2440	2,2438	7,4130	7,1902	4,6180	4,7180	2,0240	1,3801
Produção do campo acumulada em bilhões de m³:	(7,1920)	(6,7596)	(1,2609)	(1,0193)	(2,5153)	(2,2157)	(1,4440)	(0,9726)	(0,1459)	(0,0498)
Total:	**2,5920**	**2,9105**	**0,9831**	**1,2245**	**4,8977**	**4,9745**	**3,1740**	**3,7454**	**1,8781**	**1,3303**

a. *On January 6, 2021, 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 Amazon Basin.*

According to the criteria of the Petroleum Resources Management System (PMRS), GCA certified the natural gas reserves as follows:

Natural gas reserves of the nine fields of the Parnaíba Basin and one field of the Amazon Basin		
Reserves categories	**Fields' Gas Gross Volume (100% WI) (Bm³)**	**Eneva's Gas Reserves (100% WI) (Bm²)**
Proved developed	12.4	12.4
Proved not developed	11.7	17.1
Total (1P)	24.1	29.5
2P	25.9	31.8
3P	29.3	35.7

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, they are not included in the proven reserves.

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

Not developed: 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; and

3P – Probable production reserves, attributable to 10% in the guarantee level.

13.2 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)). The Company considers that each thermal generation plant (gas and coal) and the natural gas production unit constitute the Cash Generating Units.

The Company and its subsidiaries are required annually to carry out impairment tests on intangible assets with indefinite useful lives (‘Goodwill’). An assessment is also required as to the existence of any indication of loss due to impairment or reversal of losses recognized in previous years for other non-financial assets.

Property, plant and equipment of Itaqui Geração de Energia S.A. and intangible assets with indefinite useful life generated in the business combination carried out in 2015 and which, after the corporate restructuring of the Company, is recorded on the investment in the subsidiary Parnaíba II were tested for impairment considering the value in use model based on present value of cash flow, per cash generating unit. For the other CGUs, no indications were identified that required the impairment test.

It should be noted that the said UGC has been constantly improving its operational performance, as a result of investments in process improvement and preventive maintenance. Additionally, the normalization of the dispatch curve, after a period of water crisis that occurred at the beginning of the operation, also contributed to the stabilization of this asset. As a consequence of the impairment tests, R$ 52,777 was reversed, related to the impairment constituted in previous years regarding Itaqui Geração de Energia S.A..

As of December 31, 2020, the subsidiary still has an impairment loss of R$ 176,563 provisioned in previous years, i.e., this is the maximum amount that can be reversed. As of December 31, 2020, the book value of this asset is close to the recoverable amount and, as a result, it would be more susceptible to the recognition of losses or reversals of losses in the future due to changes in assumptions used to determine the recoverable value.

The conclusion on the test carried out on the goodwill is presented in Note 14 - “Intangible assets”.

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$).

Term

The projection starts in 2021 and extends until 2050 for both tested assets.

In energy generation assets, the useful life is defined by the operational capacity of the plants and their economic viability. The Plants have Power Purchase Agreement with term between 15 and 20 years, ending in 2026 (Itaqui) and 2035 (Parnaíba II).

For the complementary period that extgoes up to the end of the projection period (2050), the assumption was the continuity of operations under the availability system, using the effective trade agreements as the best estimates to forecast the operational 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 for the 2nd monetization cycle of the asset, that is, the period between the end of the Company’s current Energy Trading Agreements in the Regulated Environment (CCEAR) and the term of the authorization for energy generation granted by ANEEL, was the study of long-term energy prices prepared by the independent consulting company PSR, in 2020.

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 in in cycles predetermined by the turbine manufacturer.

Discount rate

The Company applies the Weighted Average Cost of Capital (CPMC) approach in nominal terms for Itaqui, and the cost of equity capital (Ke) for Parnaíba II, considering inflationary effects, as follows:

	Itaqui (CMPC)	Parnaíba II
Nominal CMPC and Ke (after tax)	8.19%	8.64%
Nominal CMPC and Ke (before tax)	8.24%	8.74%

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

14. Intangible assets

SUMÁRIO

Accounting practice

Intangible assets are measured at total acquisition cost less the amortization expenses and accumulated losses due to impairment, according to the following detailing:

Consolidated

		12/31/2020			12/31/2019		
	Amortization Range	Cost	Amortization*	Net amount	Cost	Amortization	Net amount
Computer licenses and software	5 years	34,554	(28,890)	**5,664**	33,173	(25,811)	**7,362**
E&P Intangible assets	Produced unit	475,862	(33,161)	**442,701**	472,359	(23,450)	**448,909**
Right of use	From 15 to 33 years	86,235	(37,145)	**49,090**	90,592	(36,186)	**54,406**
Awards and CCEARs	15 years	183,449	(90,768)	**92,681**	183,449	(78,544)	**104,905**
Right of use in the acquisition of investments	From 1 to 30 years	754,571	(126,313)	**628,258**	754,590	(98,798)	**655,792**
Right of use of undefined useful life assets	-	73,497	-	**73,497**	73,497	-	**73,497**
Intangible assets in course	-	46,654	-	**46,654**	36,935	-	**36,935**

*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 E&P assets 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.

Changes in intangible assets

Consolidated

	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
At December 31, 2018	11,148	458,491	57,472	117,129	690,537	73,497	31,930	1,440,204
Additions	72	-	-	-	-	-	5,005	5,077
Amortization	(3,858)	(9,582)	(3,066)	(12,224)	(34,745)	-	-	(63,475)
At December 31, 2019	7,362	448,909	54,406	104,905	655,792	73,497	36,935	1,381,806
Additions	1,381	3,503	-	-	-	-	9,719	14,603
Write-offs	-	-	(4,376)	-	-	-	-	(4,376)
Transfers	-	-	19	-	(19)	-	-	-
Amortization	(3,079)	(9,711)	(959)	(12,224)	(27,515)	-	-	(53,488)
At December 31, 2020	5,664	442,701	49,090	92,681	628,258	73,497	46,654	1,338,545

Undefined useful life intangible assets

Goodwill arises from the business combination carried out in 2015 by the Company, and it is recorded in the "Right of Use of Undefined Useful Life Assets" account in the parent company financial statements and in the group of intangible assets in the consolidated financial statements. This refers to the excess of the portion paid by Eneva (acquirer) due to the expectation of generating future profits by the acquired companies. It is worthy noting that after the corporate restructuring carried out by the Group in recent years, the goodwill is recorded on the investment in the subsidiary Parnaíba II.

The recoverable amount of goodwill is assessed annually, regardless of the existence of impairment indicators, as determined by CPC 01 (R1) - Impairment of assets.

The key assumptions of the impairment tests are described in Note 13.2 - Impairment assessment". Based on the tests, impairment was not identified for 2020. On December 31, 2020 and 2019, the amount of assets classified as undefined useful life is of R$ 73,497.

15. Trade payables

SUMÁRIO

Accounting practice

Trade payables are obligations 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.

	Consolidated	
	2020	2019
Energy generation (a)	157,653	154,625
Construction of new plants (b)	187,775	109,841
Energy trading	36,138	68,860
Gas exploration and production	51,999	96,371
Maintenance of plants (c)	59,489	165,518
Others	43,784	34,644
	536,838	629,859
Current assets	492,456	598,155
Non-current assets	44,382	31,704

a. *The balance is substantially composed of obligations with suppliers of inputs for power generation and suppliers that carry out the maintenance of the plants related to scheduled shutdowns.*

b. *These correspond to the investments connected to the construction of the Azulão-Jaguatirica project and to the thermal power plant Parnaíba V. The main supplier of these constructions is Techint Engenharia e Construção.*

c. *The balance is substantially linked to the scheduled shutdowns of the plants, which aim to maintain machines and increase their useful life.*

16. Taxes and contributions payable

SUMÁRIO

	Parent Company		Consolidated	
	2020	2019	2020	2019
Corporate Income Tax - IRPJ	717	18,139	5,769	70,750
Social contribution on Net Income - CSLL	3,677	6,808	31,229	23,397
	4,394	24,947	36,998	94,147

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	
	2020	2019	2020	2019
Value-added Tax on Sales and Services (ICMS)	3,722	3,542	10,639	12,323
PIS, COFINS and IOF	16,971	12,735	32,443	25,334
Import taxes	561	486	752	1,126
Royalties	12,672	9,957	12,672	9,957
Others	7,686	6,461	10,580	10,217
	41,612	33,181	67,086	58,957

17. Indebtedness

SUMÁRIO

													Consolidated
									2020				2019
Company	Creditor	Currency	Interest rates	Effective rate*	Maturity	Funding costs to appropriate	Principal	Interest	Total	Funding costs to appropriate	Principal	Interest	Total
Borrowings and financings													
Eneva	FINEP	R$	TJLP+3.00%	7.87%	3/15/2025	-	49,058	159	49,217	-	60,602	222	60,824
Eneva	FINEP	R$	TJLP+1.00%	5.87%	12/15/2028	(307)	31,232	76	31,001	(368)	31,557	60	31,249
PGC	BNB	R$	IPCA + 1.9388%	6.46%	7/15/2036	(7,925)	422,569	13,576	428,220	-	-	-	-
Itaqui	BNDES (Direct)	R$	TJLP+2.78%	-	6/15/2026	-	-	-	-	(4,284)	605,376	2,026	603,118
Itaqui	BNB	R$	10%	-	12/15/2026	-	-	-	-	(1,406)	148,127	629	147,350
Pecém II	BNDES (Direct) (a)	R$	TJLP+3.14%	-	6/15/2027	-	-	-	-	(2,861)	333,765	1,163	332,067
Pecém II	BNDES (Direct) (a)	R$	IPCA+10.59%	-	6/15/2027	-	-	-	-	(380)	120,028	505	120,153
Pecém II	BNB	R$	10%	-	1/31/2028	-	-	-	-	(2,625)	193,719	-	191,094
Azulão	BASA SubCredit A and B	R$	IPCA + 1.6190%	6.14%	6/16/2036	(8,489)	490,617	2,687	484,815	-	-	-	-
Azulão	BASA SubCredit C	R$	IPCA + 1.3247%	5.84%	6/16/2036	(5,664)	359,323	1,914	355,573	-	-	-	-
						(22,385)	1,352,799	18,412	1,348,826	(11,924)	1,493,174	4,605	1,485,855
Secured deposits						-	(18,534)	-	(18,534)	-	(86,441)	-	(86,441)
						(22,385)	1,334,265	18,412	1,330,292	(11,924)	1,406,733	4,605	1,399,414
Current assets						(1,089)	15,447	4,835	19,193	(2,603)	176,183	4,605	178,185
Non-current assets						(21,296)	1,318,818	13,577	1,311,099	(9,321)	1,230,550	-	1,221,229
Debentures													
PGC	1st issue - 1st series	R$	IPCA + 7.2227%	11.74%	11/15/2025	(5,246)	305,685	2,719	303,158	(7,513)	318,980	2,659	314,126
PGC	1st issue - 2nd series	R$	CDI + 2,50%	5.27%	11/15/2025	(8,424)	435,290	2,412	429,278	(12,186)	493,145	4,163	485,122
Parnaíba II	3rd issue - 1st series	R$	CDI + 0,60%	3.37%	10/2/2022	(305)	100,000	602	100,297	(478)	100,000	1,138	100,660
Parnaíba II	3rd issue - 2nd series	R$	CDI + 1,01%	3.78%	10/2/2024	(1,088)	290,000	2,034	290,946	(1,423)	290,000	3,552	292,129
Parnaíba II	3rd issue - 3rd series	R$	CDI + 1,40%	4.17%	10/2/2026	(1,507)	360,000	2,863	361,356	(1,794)	360,000	4,705	362,911
Eneva	2nd issue - 1st series	R$	CDI + 0,95%	3.72%	5/15/2024	(5,461)	750,000	2,698	747,237	(7,263)	750,000	4,961	747,698
Eneva	2nd issue - 2nd series	R$	CDI + 1,45%	4.22%	5/15/2027	(6,300)	750,000	3,170	746,870	(7,568)	750,000	5,405	747,837
Eneva	2nd issue - 3rd series	R$	IPCA + 5.05%	9.57%	5/15/2029	(4,494)	529,817	3,321	528,644	(5,200)	507,369	2,985	505,154
Eneva	3rd issue - 1st series	R$	IPCA + 4.2259%	8.75%	12/15/2027	(14,152)	680,750	1,231	667,829	(16,055)	652,040	643	636,628
Eneva	5th issue - 1st series	R$	IPCA + 5.50%	10.02%	6/15/2030	(24,437)	674,846	1,579	651,988	-	-	-	-
Eneva	6th issue - 1st series	R$	IPCA + 4.127%	8.65%	9/15/2030	(16,456)	384,260	3,967	371,771	-	-	-	-
Eneva	6th issue - 2nd series	R$	IPCA + 4.5034%	9.02%	9/15/2035	(25,437)	589,716	6,634	570,913	-	-	-	-
						(113,307)	5,850,364	33,230	5,770,287	(59,480)	4,221,534	30,211	4,192,265
Secured deposits						-	(57,914)	-	(57,914)	-	(35,137)	-	(35,137)
						(113,307)	5,792,450	33,230	5,712,373	(59,480)	4,186,397	30,211	4,157,128
Current assets						(15,947)	101,237	33,230	118,520	(10,146)	85,248	30,211	105,313
Non-current assets						(97,360)	5,691,213	-	5,593,853	(49,334)	4,101,149	-	4,051,815

* *Calculation of effective rates takes into account accumulated indexes for 2020: CDI of 2.77%, IPCA of 4.52% and TJLP of 4.87%.*

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 and debentures are as follows (current and non-current):

	Borrowings and financings		Debentures	
	Parent Company	Consolidated	Parent Company	Consolidated
In 2019	92,073	1,399,414	2,637,317	4,157,128
(+) New fundings	90,000	1,363,129	2,007,968	2,007,968
(+) Interest incurred	12,183	163,058	155,663	232,336
(+/-)Monetary variation	-	1,549	102,011	115,822
(-) Payment of principal	(101,869)	(1,529,317)	(410,000)	(494,959)
(-) Payment of interest	(12,230)	(124,987)	(147,056)	(229,318)
(+/-) Funding cost	61	(10,461)	(60,651)	(53,827)
(+/-) Secured deposits	-	67,907	-	(22,777)
In 2020	80,218	1,330,292	4,285,252	5,712,373

	Borrowings and financings		Debentures	
	Parent Company	Consolidated	Parent Company	Consolidated
In 2018	1,604,941	3,381,525	-	1,782,219
(+) New fundings	14,004	14,004	2,650,000	3,400,000
(+) Interest incurred	63,563	217,549	75,411	229,654
(+/-) Exchange variation Principal	725	725	-	-
(+/-) Exchange variation interest	307	306	-	-
(-) Payment of principal	(1,574,676)	(2,063,668)	-	(1,019,480)
(-) Payment of interest	(16,909)	(173,022)	(61,414)	(209,678)
(+/-) Funding cost	(144)	2,658	(36,086)	(17,004)
(+/-) Contractual monetary update	262	9,443	9,406	20,852
(-) Secured deposits	-	9,894	-	(29,435)
In 2019	92,073	1,399,414	2,637,317	4,157,128

The installments of the borrowings, financings and debentures classified as non-current liabilities on December 31, 2020 have the following payment schedule:

	Borrowings and financings		Debentures	
	Parent Company	Consolidated	Parent Company	Consolidated
Maturity year				
2022	15,384	56,677	(12,064)	213,128
2023	15,395	73,202	(12,146)	277,549
2024	15,404	96,521	738,808	1,051,275
2025	6,756	89,982	466,359	837,515
2026 up to the last maturity	11,666	1,013,251	3,092,409	3,272,300
	64,605	1,329,633	4,273,366	5,651,767
Secured deposits	-	(18,534)	-	(57,914)
	64,605	1,311,099	4,273,366	5,593,853

Strategy for Contracting Indebtedness

In order to contract new financing, elements such as availability of resources (existing and available sources), cost, term and indexation are considered. As the majority of the Company's revenues are adjusted annually by the IPCA, debts with the same indexation are those that naturally bring an alignment between financial income and expenses. However, since these are long-term financing, the various indexes available are evaluated comparatively considering expectations for the periods considered and not for the current cost. Finally, the indexing of financing is linked to types of instruments, with differentiated efficiencies, and target audience of investors. Therefore, the contracting of new financing still considers the alternative that is feasible due to market conditions.

Accounting practice

Borrowings, financings and 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 operations over the period in which the debts are open, using the effective interest rate method.

The costs of the third series, referring to the 2nd issue of simple general debentures, and specific that are directly attributable to the construction of the qualifying asset (“Parnaíba V”), and the costs referring to 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 Company’s management evaluated that the best disclosure of the interest paid on borrowings, financing and debentures is through the cash flows of financings, because the cost of these financial liabilities is intrinsically linked to the funding for the construction of the Company’s gas generating and production park.

Deposits linked to loans, financing and debentures

The Company evaluates whether the deposits linked to loans, financing and debentures 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 of insolvency or bankruptcy

Accordingly, the value of these deposits is presented together with the borrowings, financings and debentures related to them, as well as it is presented within the financing cash flow in the statement of cash flow.

Financial and non-financial covenants

The financing and debentures contracts of the operating (“PGC”, “Parnaíba II” and “Eneva”) and non-operating (“Azulão”) companies have obligations that are regularly monitored by the treasury and periodically reported to the Management, to ensure that the contract is fulfilled. These clauses are as follows:

(i) Obligation to periodically submit financial statements to creditors;

(ii) Creditor rights to inspect and visit facilities;

(iii) Obligation to keep up with tax, social security and payroll obligations;

(iv) Obligation to maintain materially important contracts for its operations in force;

(v) Comply with environmental legislation and keep any operating licenses necessary in force;

(vi) Contractual restrictions on related-party transactions and sales of assets outside the normal course of business;

(vii) 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; and

(viii) Restrictions on debt ratios and the procurement of new debt in the subsidiaries.

The finance contracts and issue of debentures have financial covenants specific clauses, which are fulfilled..

Company	Description of the Financial Covenants	Position on 12/31/2020	Position on 12/31/2019
PGC	Net debt of no more than 6 times the EBITDA Payment capacity impairment less than 70% Debt service coverage ratio equal to or greater than 1.20	Met	Met
Parnaíba II	Net debt of no more than 3 times the EBITDA	Met	Met
Eneva S.A.	Net debt of no more than 5.0* times the EBITDA	Met	Met
Pecem II	Debt coverage index of at least 1.20	Not applicable	Met
Parnaíba I	Net debt of no more than 6 times the EBITDA	Not applicable	Met

*In the period between June 30, 2020 (inclusive) and June 30, 2022 (inclusive), the ratio of the Net Debt divided by EBITDA may reach up to 5.0 for up to 4 consecutive or alternating quarters. After this period, the ratio of the Net Debt divided by EBITDA becomes up to 4.5 (four point five).

18. Financial instruments and risk management

SUMÁRIO

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.

Accounting practice

A financial asset and 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.

Subsequent classification and measure

Financial assets and liabilities are often 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 conditions, using the original effective interest rate. The difference between the book balance of the remeasured instrument at the time of a non-substantial change in its conditions 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.

The management of these financial instruments is done 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.

The fair values are determined based on the market prices, when available, or in their absence, on the present value of expected future cash flows. Characteristics of each classification are as follows:

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

(ii) Fair value through other comprehensive income: financial asset (debt financial instrument) whose contractual cash flow results only from the receipt of principal and interest on principal on 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

(iii) Fair value through profit or loss: all the other financial assets. This category includes the derivative financial instruments.

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

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

(ii) **Level II:** it is information, which does not include the prices quoted in Level 1, which are observable for the asset or liability, directly or indirectly;

(iii) **Level III;** it is non-observable information for the asset or liability.

The consolidated accounting balances of the financial instruments, as well as its fair value hierarchy classification, are as follows:

								Consolidated
				2020				2019
	Amortized Cost	Fair value through comprehensive income	Fair value through profit or loss	Total	Amortized Cost	Fair value through comprehensive income	Fair value through profit or loss	Total
Financial assets								
Cash and cash equivalent	1,384,933	-	-	1,384,933	1,517,583	-	-	1,517,583
Marketable securities	71,659	-	439,658	511,317	-	-	270,652	270,652
Secured deposits	6,182	-	-	6,182	5,828	-	-	5,828
Derivative financial instruments	-	-	-	-	-	6,698	-	6,698

Trade receivables	700,964	-	-	700,964	695,181	-	-	695,181
Related-party transactions	51	-	-	51	4,845	-	-	4,845
Related-parties loans	-	-	-	-	11,863	-	-	11,863
	2,163,789	-	439,658	2,603,447	2,235,300	6,698	270,652	2,512,650
Financial liabilities								
Trade payables	536,838	-	-	536,838	629,859	-	-	629,859
Borrowings and financings	1,330,292	-	-	1,330,292	1,399,414	-	-	1,399,414
Debentures	5,712,373	-	-	5,712,373	4,157,128	-	-	4,157,128
Related-party transactions	168	-	-	168	375	-	-	375
Derivative financial instruments	-	2,391	-	2,391	-	7,107	-	7,107
Contractual retentions	4,330	-	-	4,330	4,330	-	-	4,330
Trade payables - electric power sector	12,455	-	-	12,455	11,922	-	-	11,922
Provision for cost due to unavailability	64,445	-	-	64,445	73,865	-	-	73,865
Research and development	82,603	-	-	82,603	79,705	-	-	79,705
Leases	100,968	-	-	100,968	101,765	-	-	101,765
	7,844,472	2,391	-	7,846,863	6,458,363	7,107	-	6,465,470

Fair value estimate

The financial instruments recorded at fair value are classified and disclosed as follows:

								Consolidated
				2020				2019
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Marketable securities	-	439,658	-	439,658	-	270,652	-	270,652
Derivative financial instruments	-	-	-	-	-	6,698	-	6,698
	-	439,658	-	439,658	-	277,350	-	277,350
Financial liabilities								
Derivative financial instruments	2,391	-	-	2,391	7,107	-	-	7,107

There was no transfer of financial instruments between the fair value measure levels during the year.

Assessment methods and techniques

Due to its maturity in the short term, it is understood that the fair value of the balances of cash and cash equivalents, accounts receivable and trade receivables are equivalent to their book values.

Securities classified as measured at fair value through profit or loss refer mainly to investments in federal public securities through the Company's exclusive fund and, therefore, it is understood that their fair value is reflected in the value of the fund's quota.

Derivatives, hedge and risk management

The Company has derivative instruments called Non Deliverable Forwards (NDFs), with the purpose of mitigating the foreign exchange exposure resulting from (i) foreign currency investments planned by the Parnaíba Geração e Comercialização for the construction of the thermal power plant Parnaíba V, which started its implementation in February 2019, with a construction term foreseen in the global works contract (EPC) of 31 months and (ii) part of the investments in foreign currency foreseen by Azulão Geração de Energia in the implementation of the Azulão-Jaguatirica project, with a construction term of up to 24 months, whose stock of contracted NDFs was settled in April 2020.

Derivatives are used only for economic purposes of cash flow hedge, since the purpose of the hedge is to bring greater predictability to future cash flow, mitigating the risk of exchange rate impact on the payments provided for in the EPC contract of auction A -6 of 2018 (Parnaíba V) and not as speculative investments.

Forward foreign exchange contracts

The notional amounts of the outstanding forward foreign exchange contracts on December 31, 2020 total R$ 87,101, and are fully related to the construction of the Parnaíba V project.

The highly probable forecast transactions, protected by cash flow hedge accounting, maintained in foreign currency, are expected to occur on several dates during the next 12 months. Derivatives have the purpose of mitigating the foreign exchange exposure resulting from investments in foreign currency foreseen for the construction of Parnaíba V. Gains and losses are recognized in equity and transferred to property, plant and equipment when the protected item is realized.

Forward foreign exchange transactions are denominated in the same currency as the highly probable forecast transactions and, therefore, the hedge ratio is 1: 1. Considering the changes in the discounted cash value of hedge instruments outstanding since January 1 and the value of the hedged item used to determine the effectiveness of the hedge, the weighted average hedged rate in the year was R$ 4.9734: US$ 1.

As of December 31, 2020, the net amounts calculated from Market to Market ("MtM") for these derivative instruments represent losses of R$ 2,391, which were fully recorded in equity (hedge accounting) in other comprehensive income.

18.1 Market risk

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

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 Pecem II and Itaqui.

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 2020 and 2019 is as follows:

	Itaqui			Pecém II		
	Market value (Probable)	API2 / CIF ARA (25% increase)	API2 / CIF ARA (50% increase)	Market value (Provável)	API2 / CIF ARA (25% increase)	API2 / CIF ARA (50% increase)
2019						
Variable income (Ccomb)	199,487	249,359	299,231	189,756	237,196	284,635
Variable cost (Coal)	(199,910)	(247,318)	(294,726)	(180,842)	(224,222)	(267,602)
Variable result	(423)	2,041	4,505	8,914	12,974	17,033
2020						
Variable income (Ccomb)	139,449	174,311	209,173	127,291	159,114	190,937
Variable cost (Coal)	(119,829)	(149,234)	(178,639)	(104,809)	(131,642)	(158,474)
Variable result	19,620	25,077	30,534	22,482	27,472	32,463

Assumptions*	Itaqui		Pecém II	
	2020	2019	2020	2019
Electric power generation - MWh	*1,007,234*	1,277,197	*919,017*	1,462,134
Coal consumption tone	*424,368*	557,839	*388,263*	669,927
CIF ARA	*53.28*	55.85	*53.25*	62.81
API2	*53.28*	55.85	*53.25*	62.81
Award	*1.00*	4.75	*(1.25)*	2.65
Factor i	*0.52*	0.52	*0.53*	0.53
FX	*4.97*	4.01	*4.95*	3.93

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

* *Unaudited information.*

Interest rate risk

(a) Risk related to floating interest

The Company and its subsidiaries have liabilities 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 (long term interest rate) 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.

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 which 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.

	Scenario Probable	Scenario I (25% increase)	Scenario II (50% increase)
Cash flow risk:			
Liabilities indexed to TJLP	6,807	7,863	8,830
Liabilities indexed to CDI	115,176	134,275	153,291
Liabilities indexed to IPCA	318,007	352,100	385,949
Expected financial costs	439,990	494,238	548,070
Increase in finance costs	-	54,248	108,080

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

IPCA 12M: 3.32% (Source: Boletim Focus)
TJLP 12M: 4.55% (Source: National Monetary Council)
Average CDI 12M: 2.86% (Source: Market Projection)

18.2 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, 2020 approach the operations' settlement values, including estimated future interest payments.

						Consolidated
						2020
	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	-	455,352	80,257	-	-	535,609
Commercial operations	-	-	1,397	-	-	1,397
Borrowings and financings	42,823	32,589	111,067	416,002	1,119,028	1,721,509
Debentures	173,345	195,309	584,075	3,334,003	5,500,498	9,787,230
Contractual retention	-	-	-	4,330	-	4,330
	216,168	683,250	776,796	3,754,335	6,619,526	12,050,075

						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**

18.3 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.

The Company understands that there is no credit risk in trade receivables, see assessment in Note 9 - “Trade receivables”. Furthermore, oo mitigate these risks, we adopted a practice 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 loans are exposed to low risk due to the classification of first-tier banks (AAA and AA), which the Company has a relationship with. The average terms are continually assessed, as are the indexes underlying the investments, in order to diversify the portfolio.

	Consolidated	
	2020	2019
Credit risk positions		
Cash and cash equivalent	1,384,933	1,517,583
Marketable securities	511,317	270,652
Trade receivables	700,964	695,181
Derivatives	-	6,698
Secured deposits	6,182	5,828
Secured deposits on borrowings and debentures	76,448	121,578
	2,679,844	2,617,520

18.4 Foreign exchange rate risk

The Company has no material foreign exchange exposure related to its financial liabilities, arising from transactions in foreign currency, except those mentioned in paragraph "Derivatives, hedge and management risk" of Note 18.

18.5 Capital management

The Company's objectives when managing capital are to safeguard the business' 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 for reduction of the cost of capital.

In order to maintain or adjust the capital structure of the Company, Management can make, or may 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.

19. Provision for contingencies

SUMÁRIO

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

Accounting practice

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 in the year ended December 31, 2020 is presented, as follows:

						Consolidated
		12/31/2019				12/31/2020
		Accumulated balance	Additions	Reversal	Update	Accumulated balance
Civil	(a)	49,080	20,216	(261)	1,578	70,613
Labor	(b)	43,562	11,873	(37,137)	3,652	21,950
Tax		40	-	-	-	40
Environmental		163	-	(167)	4	-
Total provisions		**92,845**	**32,089**	**(37,565)**	**5,234**	**92,603**

(a) Civil risks

The main civil claims are as follows:

Contingent asset

Common lawsuit filed by the subsidiary Amapari Energia S.A. ("Amapari") in the amount of R$ 44,091, with request for advance custody, to be included in the fuel cost reimbursement mechanism of CCC-ISOL. In September 2018, the appeal filed by Amapari was dismissed, annulling the sentence 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 ruling, it was determined the immediate reimbursement of CCC not received by Amapari from November 2008 to February 2009.

In 2019, fullfilling the decision, ANEEL paid the reimbursement claimed by Amapari. Against that judgment, ANEEL filed an appeal, which is still pending judgment, so that the provision for the amount received in advance was accounted for.

Also in 2019, Amapari initiated provisional execution, in the lower court, of the favorable judgment to collect from ANEEL the interest that had not been paid when the principal amount was received from CCC-ISOL. The lower court decision, corroborated by a decision by the 1st Regional TRF, recognized Amapari's right to receive interest and forced ANEEL to pay it. Accordingly, in April 2020, Amapari received interest in the amount of R$ 20,216. A challenge analysis is awaited by the CCEE, which manages the CCC's resources, regarding the divergence of calculations. In the same way as occurred with the principal amount, considering the ongoing judicial discussion about the receipt of funds, contingent liability was provided for in the amount received in advance.

Contingent liabilities:

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

(b) Labor risks

Contingent liabilities:

These encompass complaints filed by former employees of the Company and of outsourced companies, who claim, among others, severance pay, hazard premium, employment bond and subsequent equalization of the rights to the Company's employees or, even, any amounts overdue by their direct contractors. The reversal presented in the previous table is linked to the settlement of claims by the claimants and the closure of suits during 2020. There is no material individual suit.

Possible risk contingencies (do not require the constitution of provision)

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
		12/31/2020	12/31/2019
Environmental		25,912	24,127
Regulatory		12,724	12,759
Labor		51,873	32,803
Civil	(a)	49,324	82,035
Tax	(b)	224,460	229,196
Total		**364,293**	**380,920**

(a) Civil

Subsidiary Pecém II Geração de Energia S.A.

(i) **Emergency Water Charge**

It is a suit filed by Pecém II together with Porto do Pecém Geração de Energia S.A.against ANEEL, requesting (i) the transfer, by ANEEL, of the amount charged by the State of Ceará, as Emergency Water Charge ("Encargo Hídrico Emergencial - EHE"), to CCEARs of Pecém II and Porto do Pecém, with the increase of the Unit Variable Cost ("Custo Variável Unitário - CVU") and of the sale revenue perceived by these companies; and (ii) the suspension of any penalties by ANEEL for eventual decrease and/or interruption of the generation of electric power of the UTEs Pecém II and Pecém I due to the decrease in the water supply.

On January 31, 2017, it was ruled by Federal Justice the decision that rejected the claim for summary judgment filed by the Plaintiffs. The plaintiffs filed an interlocutory appeal, which was distributed to Judge Souza Prudente on March 1, 2017. The advance custody required by the Companies was granted on May 5, 2017, and ANEEL was required to comply with the decision on the interlocutory appeal.

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

(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 of 1st Region. 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.

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 change in values presented above refers to changes in the prognosis of the suits 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 tax assessment filed on 01/22/2019, and subsequently on 07/10/2019, a voluntary appeal was filed. Currently, the lawsuit 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 tax profits with the amount of tax loss and negative CSLL tax base disallowed by the tax authorities, in the amount of R$ 195 million. There is no credit tax constituted 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 losses and CSLL negative calculation basis for in auxiliary tax controls (ECF), with no disbursement and impact on the Company's cash.

20. Provision for obligation of decommissioning

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Accounting practice

The costs of demobilization of generation assets are provided for based on the present value of the costs expected to fulfill the obligation, using expected cash flows, based on the best estimate on the reporting date, and are recognized against the costs of the corresponding asset. The financial update of the provision is recognized in the statement of operations as incurred. The Company reviews its estimated costs for dismantling gas production areas on a quarterly basis, together with its annual reserve certification process and when there are indications of changes in its assumptions.

This provision refers to the expected costs for decommissioning of the gas production fields and for the demobilization of the assets of the UTE Pécem II Geração de Energia S.A. 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 the result for the year.

(ii) obligations will occur in the long run;

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

(iv) technologies and asset removal 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 provision for decommissioning costs flows on December 31, 2020 and 2019 are as follows:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Opening balance	75,748	61,720	81,022	66,885
Review of the provision	(12,195)	7,595	(13,502)	7,231
Interest update	7,097	6,433	7,589	6,906
Closing balance	70,650	75,748	75,109	81,022

21. Related parties

SUMÁRIO

Accounting practice

The purchase and sale of energy, services and loan transactions are carried out under conditions and terms agreed upon between the parties and registered in accordance with the contracted terms, which are updated by the charges established in the contracts.

On December 31, 2020 and 2019, the balances of assets, liabilities and effects on income of related-party transactions are as follows:

	Assets		Liabilities		Result	
	2020	2019	2020	2019	2020	2019
Loan						
Itaqui Geração de Energia S.A. (a)	808,285	156,869	-	-	23,733	9,350
Pecém II Geração de Energia S.A. (b)	864,473	294,719	-	-	44,636	15,296
Parnaíba B.V.	-	73,993	-	-	20,969	-
Others	689	12,550	-	-	592	1,464
	1,673,447	538,131	-	-	89,930	26,110
Commercial operations						
Parnaíba Geração e Comercialização de Energia S.A. (c)	147,130	5,093	36	35	439,619	13,150
Parnaíba I Geração de Energia S.A. (c)	-	127,961	-	-	-	398,223
Parnaíba II Geração de Energia S.A. (c)	99,156	102,619	48	48	357,297	284,372
Itaqui Geração de Energia S.A.	10,625	11,186	2,323	2,202	10,934	13,043
Pecém II Geração de Energia S.A.	7,080	11,729	141	45	6,953	11,341
Parnaíba B.V.	-	-	97,928	39,697	-	-
Others	16,166	16,442	5,153	3,890	3,807	2,873
	280,157	275,030	105,629	45,917	818,610	723,002
Dividends and interest on capital receivable						
Parnaíba Geração e Comercialização de Energia S.A.	23,962	23,962	-	-	-	-
Parnaíba II Geração de Energia S.A.	38,230	-	-	-	-	-
Porto do Pecém Transportadora de Minérios S.A	-	392	-	-	-	-
	62,192	24,354	-	-	-	-
	2,015,796	837,515	105,629	45,917	908,540	749,112

a. *The balance is comprised by loan agreement entered into with Eneva (creditor) subject to annual interest of 2.47% and maturing in September 2026, in the amount of R$ 808,285 (R$ 156,869 on December 31, 2019). The variation corresponds to the issuance of a new loan in the amount of R$ 600 million, signed on November 15, 2020, with the objective of defraying the prepayment of the financing with BNDES and BNB.*

b. *The balance is comprised by loan agreement entered into with Eneva (creditor) subject to market interest (104% of CDI) and with indefinite maturity, in the amount of R$ 864,473, (R$ 294,719 on December 31, 2019). The variation corresponds to the issuance of a new loan in the amount of 543 million, signed on August 17, 2020, with the objective of defraying the prepayment of the financing with BNDES.*

c. *Balances basically comprised of the sale of natural gas and lease of the Gas Treatment Unit (UTG) for the subsidiaries Parnaíba II Geração de Energia S.A. and Parnaíba Geração e Comercialização de Energia S.A., which on January 1, 2020 incorporated Parnaíba I Geração de Energia S.A.*

21.1 Compensation of the Board of Directors and Executive Board members

The Company is managed by a Board of Directors and an Executive Board, pursuant to the duties and powers vested by its Bylaws. 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, 2020 and 2019, accounted for on an accrual basis, are as follows:

	Parent Company			Consolidated
	2020	2019	2020	2019
Short term benefits **(a)**	30,129	33,074	34,002	37,051
Long-term benefits **(b)**	53,205	22,721	53,205	23,160
	83,334	**55,795**	**87,207**	**60,211**

a. *Key personnel compensation includes salaries and non-monetary benefits.*

b. *Ss 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
			2020			2019
	Minimum	Average	Maximum	Minimum	Average	Maximum
Board of Directors	475	5,420	35,056	301	1,429	8,214
Executive Board	135	4,088	20,803	474	4,065	14,882
	610	**9,538**	**55,859**	**775**	**5,494**	**23,096**

22. Equity

SUMÁRIO

22.1 Share capital

On December 31, 2020 and 2019, the Company’s capital is R$ 8,849,409 and R$ 8,834,907, respectively. The Company only has common, book entry shares, with no par value. The authorized capital on December 31, 2020 is comprised of 399,128,430 authorized shares, of which 315,835,960 were issued (315,483,181 on December 31, 2019).

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

		Parent Company		Parent Company
		2020		2019
Shareholder	Number	%	Number	%
Banco BTG Pactual	72,410,101	22.93%	72,410,101	22.95%
Cambuhy	72,410,101	22.93%	72,410,101	22.95%
Velt Partners	17,665,975	5.59%	-	0.00%
Dynamo	15,853,947	5.02%	-	0.00%

Atmos Investimentos	15,793,261	5.00%	15,793,261	5.01%
Others	121,702,575	38.53%	154,869,718	49.09%
Total	**315,835,960**	**100.00%**	**315,483,181**	**100.00%**

22.2 Tax incentives reserve

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 Northeast (SUDENE). This benefit corresponds to a decrease of 75% of income tax in a 10-year period.

Service Tax – Presumed Credit

Reserve constituted 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.

23. Result per share

SUMÁRIO

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, 2020 and 2019 and the respective weighted average of shares outstanding during the same period, as follows:

	2020	2019
Result for the year		
Numerator		
Profit attributable to the stockholders	1,007,606	600,798
Denominator		
Weighted average of shares	315,783,353	315,344,051
Profit per share (R$) - basic	**3.19081**	**1.90521**

	2020	2019
Result for the year		
Numerator		
Profit attributable to the stockholders	1,007,606	600,798
Denominator		
Weighted average of shares	315,783,353	315,344,051
Effect of the options	1,455,463	2,368,569
Profit per share (R$) - diluted *	**3.17618**	**1.89101**

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

24. Share-based payment

SUMÁRIO

(a) Stock options awarded by the Company

The Company's effective stock option program was approved by the Board of Directors on August 10, 2016. The beneficiaries are the members of the Board of Directors, of the Executive Board and selected employees.

The options may reach the maximum of 4% (four percent) of the Company's total shares at the options issue date. For this limit effect, it will be considered the sum of all the 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	10/3/2016	11/12/2021	621,094	-	15.00	19.93
2016	10/3/2016	5	11/1/2017	2/1/2021	2,667,000	-	15.00	19.93
2016	4/3/2017	5	5/10/2018	9/8/2022	1,333,333	533,334	15.00	19.31
2016	8/3/2017	5	8/3/2018	12/1/2022	500,000	200,000	15.00	19.03
2016	2/11/2019	5	2/11/2020	6/10/2024	250,000	200,000	15.00	17.21
2016	1/10/2020	5	1/10/2021	5/12/2025	2,210,000	2,162,000	30.29	32.56

The changes in the options plan in the year between December 31, 2019 and December 31, 2020 are as follows:

Plan Granted by the Company - Number of Stock Options	Number of Options	Weighted Average Price of Options
At December 31, 2019	**2,223,781**	**17.83**
Exercised	(1,290,447)	19.09
Awarded	2,210,000	32.56
Expired	(48,000)	32.56
At December 31, 2020	**3,095,334**	**28.41**

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 2020 was of R$ 10,826.

(b) Restrict performance units

The Company granted two distinct long term compensation incentive plans based on shares. The first one 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 defined 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 2020 was of R$ 12,454.

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	Retention	4/2/2021	217,181
2018	7/13/2018	3	performance	4/2/2021	217,181
2018	4/1/2018	3	Retention	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
2018	4/1/2020	3	Retention	4/1/2023	113,322
2018	4/1/2020	3	Performance	4/1/2023	113,322

The changes in the units plans in the period between December 31, 2019 and December 31, 2020 are as follows:

Units Plan Granted by the Company - Number of Units	Number of Units	Weighted Average Price of the Shares
At December 31, 2019	**1,199,680**	**43.69**
Exercised	-	-
Canceled	(47,888)	62.10
Granted	226,645	34.75
Expired	-	-
At December 31, 2020	**1,378,437**	**62.10**

25. Sales and services income

SUMÁRIO

Accounting practice

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 activity and natural gas production, 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	
	2020	2019	2020	2019
Gross revenue				
Available funds (ACR) **(a)**	-	-	2,120,175	2,067,858
Sale of electricity (ACR) **(b)**	-	-	667,853	738,772
Sale of electricity (ACL) **(c)**	-	-	763,023	641,617
Sale of gas and condensed **(d)**	476,312	484,085	4,152	4,355
Lease	412,015	346,341	-	-
	888,327	**830,426**	**3,555,203**	**3,452,602**
Deduction from revenue				
Taxes on sales and services	(107,472)	(97,993)	(271,861)	(256,562)
P&D **(e)**	-	-	(29,936)	(30,138)
Reimbursement **(f)**	-	-	(10,097)	(28,533)
	(107,472)	**(97,993)**	**(311,894)**	**(315,233)**
Total net revenue	**780,855**	**732,433**	**3,243,309**	**3,137,369**

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 clauses 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 income)

In addition to the availability revenue, as mentioned above, the CCEARs have variable revenues, whose value 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 complementary 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 National System Operator (ONS).

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

Gas exploration and production

(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 Parnaíba Complex (“Complex”). 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.

Deduction 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”).

26. Costs and expenses per nature

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	Parent Company		Consolidated	
	2020	2019	2020	2019
Cost				
Regulatory costs	-	(2)	(139,856)	(134,929)
Depreciation and amortization	(118,193)	(113,493)	(419,208)	(414,118)
Rental expenses	(2,908)	(3,831)	(15,504)	(15,357)
Personnel expenses	(31,245)	(27,542)	(155,986)	(152,714)
Electric power for resale	-	-	(412,437)	(400,630)
Taxes and contributions	(287)	(98)	(287)	(3,658)
Generation inputs **(a)**	-	-	(367,794)	(520,270)
Consumption material	(1,977)	(7,482)	(10,557)	(12,551)
Government interests	(65,489)	(61,069)	(65,489)	(61,069)
Operating insurance	(350)	(4,050)	(6,352)	(26,091)
Outsourced services	(20,929)	(20,976)	(75,640)	(87,376)
Others	(9,785)	(346)	(76,269)	(70,831)
	(251,163)	(238,889)	(1,745,379)	(1,899,594)
Administrative and general expenses				
Depreciation and amortization	(35,775)	(43,833)	(62,942)	(75,935)
Environmental expenses	(1,412)	(1,001)	(1,719)	(1,029)
Rental expenses	(3,377)	(2,756)	(3,819)	(3,040)
Costs with exploration and dry well	(129,148)	(92,671)	(129,148)	(92,671)
Personnel expenses **(b)**	(166,900)	(125,113)	(179,091)	(136,269)
Taxes and contributions	(722)	(2,410)	(494)	(65)
Consumption material	(1,236)	(2,998)	(1,467)	(3,170)
Administrative insurance	(1,220)	(1,267)	(1,236)	(1,461)
Shared services - cost sharing	39,966	45,410	-	-
Outsourced services	(38,318)	(49,660)	(42,177)	(34,704)
Others	(22,615)	(1,524)	(26,444)	(24,777)
	(360,757)	(277,823)	(448,537)	(373,121)
Other income and expenses				
Provision for loss in investment	(2,273)	(2,198)	(4,545)	(4,385)
Gain with the sale of equity interest **(c)**	18,117	-	18,117	-
Loss in the disposal of goods **(d)**	-	-	(16,501)	(5,598)
Contingencies	17,302	(9,143)	25,692	(29,667)
PIS/COFINS credits **(e)**	-	33,705	-	33,705
Reversal of impairment of Itaqui	-	-	52,777	127,114
Other income (expenses)	(3,451)	(16,972)	604	(16,845)
	29,695	5,392	76,144	104,324
	(582,225)	(511,320)	(2,117,772)	(2,168,391)

a. *The decrease is directly related to the lower energy dispatch in the regulated contractual environment ("ACR").*

b. *The increase in personnel expenses, in the amount of R $ 42.8 million, which is substantially linked to the update to fair value and recognition of charges due for the exercise of the share-based payment plans granted by the Company to its managers, and which had an impact of R $ 35.1 million in 2020 when compared to 2019 and by the 11.8% increase in the number of employees at Eneva S.A.*

c. *The variation of the subsidiary is due to the sale of total interest in Seival Sul Mineração.*

d. *The increase in expenses in 2020 is mainly due to the write-off of assets and costs related to the donation of a substation to Eletronorte in the amount of R $ 16,527, as established in the licensing agreement of the plant Parnaíba I.*

e. *On March 31, 2019, the Federal Regional Court of the 2nd Region had its final decision about the claim of Parnaíba Gás Natural S.A., incorporated by Eneva S.A. in 2018, to exclude the ICMS net impact from the PIS/COFINS calculation basis and recognized the right to offset the amount unduly paid by PGN in this regarding in the last 5 years. Accordingly, the Company recorded R$ 42,750, being R$ 33,705 related to the principal amount and R$ 9,045 to the increase of Selic Interest recognized as "finance income". We emphasize that the credits were recognized by the Federal Revenue of Brazil, and their amounts were fully offset during 2019.*

27. Finance income/costs

SUMÁRIO

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Financial costs				
Debt charges	(12,183)	(63,563)	(137,658)	(217,549)
Fine and interest paid or incurred	(290)	(714)	(3,938)	(3,094)
Amortization transaction cost borrowings	(9,529)	(1,239)	(27,961)	(40,878)
Commission on bank guarantees	(2,170)	(1,576)	(4,729)	(2,419)
Interest on provision for abandonment costs	(7,097)	(6,433)	(7,589)	(6,906)
Interest on lease liabilities	(8,742)	(9,551)	(8,156)	(11,207)
Interes on loans	(5,602)	-	(1,572)	(509)
Debentures interest	(72,875)	(59,962)	(149,548)	(214,205)
MTM energy agreements/ derivatives	-	-	(3,888)	-
Exchange and monetary variation	(17,544)	(22,556)	(121,056)	(63,077)
Others	(12,790)	(9,080)	(25,617)	(28,926)
	(148,822)	(174,674)	(491,712)	(588,770)
Finance income				
Financial investment	27,247	36,300	56,549	96,026
MTM energy agreements/ derivatives	-	970	-	11,414
Fine and interest received or earned	1,326	28	2,783	4,738
Earnings from loans	40,354	31,863	-	1,384
Exchange and monetary variation	80,050	20,592	124,535	41,742
Others	1,714	12,124	8,191	23,286
	150,691	101,877	192,058	178,590
Finance income/costs	1,869	(72,797)	(299,654)	(410,180)

The main changes in 2020 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 issuance of debentures to more attractive costs.

28. Insurance Coverage

SUMÁRIO

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, 2020 and 2019, the main risks covered are:

	Consolidated	
	2020	**2019**
Operating risks	2,598,500	2,015,350
Oil risks	312,210	242,144
Civil liability	560,000	560,000
Construction / project	3,866,996	3,866,996

The main effective policies are the following:

Consolidated on 12/31/2020

Insurance company	Modality	Value at risk	Maximum Indemnity Limit	Effectiveness	Award
Amounts expressed in thousands of Reais and thousands of U.S. dollars	Operating risks	USD 3,570,859	USD 500,000	08/2021	USD 10,353
Tokio Marine	Oil risk	USD 95,075	USD 60,075	09/2021	BRL 133
	Civil liability		BRL 560,000		
AIG	Civil Liability (D&O)	-	BRL 200,000	08/2021	BRL 998
Sompo	General civil liability	-	BRL 135,000	02/2021	BRL 300
Tokio Marine	Civil Liability Pecém II	-	BRL 50,000	07/2021	BRL 166
Tokio Marine	Port Operator Civil Liability	-	BRL 25,000	08/2021	BRL 26
AXA	Civil Liability Constructions - Parnaíba V		BRL 100,000	09/2021	BRL 1,023
Tokio Marine	Civil Liability Constructions - Azulão		BRL 50,000	06/2021	BRL 249
	Construction / Project	BRL 3,866,996	BRL 3,866,996		
AXA	Engineering Risk - Parnaiba V	BRL 1,888,473	BRL 1,888,473	09/2023	BRL 5,815
Tokio Marine	Engineering Risk - Azulão	BRL 1,978,523	BRL 1,978,523	06/2021	BRL 6,657
	Insurance Guarantee	BRL 245,294	BRL 245,294		
FairFax	Insurance Guarantee (13th Round)	BRL 18,000	BRL 18,000	03/2023	BRL 94
Pottencial	Insurance Guarantee (14th Round)	BRL 59,327	BRL 59,327	04/2025	BRL 2,625
Junto Seguros	Insurance Guarantee PEM (Permanent Offer)	BRL 54,188	BRL 54,188	05/2027	BRL 646
Junto Seguros	Insurance Guarantee Interest (Permanent Offer)	BRL 780	BRL 780	12/2021	BRL 3
Pottencial/Factor	Insurance Guarantee Pfiel Cumprimento	BRL 96,389	BRL 96,389	04/2025	BRL 974
Pottencial/Factor	Insurance Guarantee (Others)	BRL 16,710	BRL 16,710	04/2023	BRL 382
	International Transportation	BRL 21,000	BRL 21,000		
Argo	Importation	BRL 21,000	BRL 21,000	11/2021	BRL 36

29. Commitments

SUMÁRIO

Minimum Exploratory Program ("PEM")

On December 31, 2020 and 2019, the PEM balance related to the 13th and 14th rounds, as well as the Permanent Offer (1st cycle) to be met before ANP is as follows:

PEM with Guarantee Insurance	Work Units	In 2019	Additions	Write-offs	In 2020
PN-T-84	2061	6,492	-	(6,492)	-
PN-T-101	7003	6,334	-	(6,334)	-
PN-T-103	7003	-	-	-	-
PN-T-146	1010	13,545	-	(4,545)	9,000
PN-T-163	1010	13,545	-	(4,545)	9,000
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
PN-T-66	2673	-	176	-	176
PN-T-67th	336	-	2,066	-	2,066
PN-T-102(a)	1121	-	6,894	-	6,894
PN-T-68	1336	-	8,216	-	8,216
PN-T-47	1897	-	11,666	-	11,666
PN-T-48th	1448	-	8,905	-	8,905
		95,266	37,923	(21,916)	111,273

Round 13

For blocks PN-T-146 and PN-T-163, on December 21, 2019, a seismic program was completed, guaranteeing full compliance with the minimum exploratory program of these contracts, in a timely manner. After technical validation of the data obtained, the policies were returned to the Company in April 2020. 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 01 (one) well in each of the contracts, ending on June 23, 2022.

It is worthy mentioning the return of the blocks PN-T-101 and PN-T-84 to the Union, manifested on December 18, 2019. Due to the analysis of technical data, financial guarantees were written off only in January 2020.

Round 14

The blocks of the 14th round (PN-T-117, PN-T-118, PN-T-119, PN-T-133 and PN-T-134) have a single exploratory period with a 6-year term, the beginning of which occurred in 2018. In these blocks, the seismic acquisition will start in 2021, after the end of the program of the blocks PN-T-146 and PN-T-163. These data will promote the regional recognition of the area and will be sufficient for the fulfillment of the PEM of the blocks of the 14th round.

Permanent Offer - 1st Bidding Cycle

In addition, it should be noted that the Company was victorious in the 1st Bidding Cycle of the Permanent Offer 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 Bidding Notice, financial guarantees were sent to the ANP to ensure compliance with the minimum exploratory program for the blocks PN-T-66, PN-T-67A, PN-T-102A, PN-T-68, PN-T-47 and PN-T-48A. The guarantees came into effect as of the signing of the concession contracts, on February 14, 2020.

Permanent Offer - 2nd Bidding Cycle

Finally, it should be noted that, despite the Company's success in the acquisition of 7 Exploratory Blocks and 1 Marginal Accumulation (Juruá) in the 2nd Bidding Cycle of the Permanent Offer of Exploratory Blocks and Marginal Accumulations, held on December 4, 2020, the financial guarantees associated with these new contracts will only be constituted before the ANP as of the 2nd quarter of 2021.

30. Events after the reporting period

SUMÁRIO

Competitive divestment process of the Urucu Pole

On February 1, 2020, the Company was invited by Petróleo Brasileiro S.A. (“Petrobras”) to participate in the negotiation phase of the terms and conditions for the potential acquisition of the totality of Petrobras’ interest in a set of concessions for onshore hydrocarbon exploration and production fields (Urucu Pole) located in the Solimões Basin, in the State of Amazonas.

The signing of sales agreements is subject to the success of the negotiations, which involve commercial and contractual aspects of the transaction to be approved by the decision-making bodies of both parties.

Statement of Commerciality of Gavião Belo Field

On February 26, 2021, the Company presented to the National Agency of Oil, Natural Gas and Biofuels (ANP) the declaration of commerciality of Fortuna, discovered in the Block PN-T-102A, in the Parnaíba Basin. It was requested to ANP that the name of the accumulation Fortuna becomes Gavião Belo Field (GVBL), which is the tenth field in the Parnaíba Basin to be declared commercial.

Disposal of relevant equity interest

On March 3, 2021, the Company was informed by Velt Partners Investimentos Ltda, that the investments vehicles under its management (Velt Vehicles) together sold common shares, decreasing their total interest to 15,248,375 shares, equal to 4.82% of Company’s total common shares.

Board of Directors

Jerson Kelman
President

José Aurélio Drummond Jr.
Vice president

Directors:

Felipe Gottlieb
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 Campos Habibe
Investor Relations Officer

Controllership

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

Bruno Campelo de Azevedo

CRC-RJ 106648/O-9
Accountant

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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 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, 2020, 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, 2020, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

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, 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and 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 12, 13 and 14 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 natural gas segment, classified as an intangible assets. In addition, the Company is required to evaluate 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. The assessment of the recoverable value of the cash generating units (CGUs) of the Company and its subsidiaries was performed for the goodwill related to the natural gas thermal plants (“Complexo de Parnaíba”) and for the operating asset of “Itaqui” CGU, in the coal thermal segment. This assessment 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 and the amount of the investment recognized through the equity method on the individual 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 impairment trigger assessment and determination of 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, investments and related disclosures, in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2020 are

	acceptable.
Recoverable value of deferred tax assets	
According to note 11 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 expenditures with 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 forecasts that support the amount of future taxable profit, such as the estimated energy sales amounts and prices, expenditures for maintaining equipment and expenditures with 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, 2020, are acceptable.

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2020, 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 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 10, 2021

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