EDP – Energias do Brasil S.A.

Financial Statements

December 31, 2020 and 2019

EDP - ENERGIAS DO BRASIL S.A.
BALANCE SHEETS AT
(In thousands of reais)

	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
ASSETS					
Current assets					
Cash and cash equivalents	5	907.204	648.479	2.735.859	2.638.610
Securities	6			153.990	135.263
Accounts receivable	7			2.958.032	2.625.935
Recoverable income tax and social contribution	9	25.389	25.322	206.929	123.282
Other recoverable taxes	9	45.354	40.028	633.670	670.383
Deferred taxes	10			7.701	
Loans receivable	11		116.191		
Dividends	14	430.004	398.228	35.686	22.521
Inventories	12			183.080	168.719
Pledges and restricted deposits	13	222	222	4.876	130.910
Sectorial financial assets	8			226.899	227.979
Concession assets	20			33.855	17.405
Future commitments	15			76.621	
Other receivables	16	19.666	17.609	211.881	222.187
		1.427.839	1.246.079	7.469.079	6.983.194
Non-current assets held for sale	17		244.536		341.781
Total current assets		1.427.839	1.490.615	7.469.079	7.324.975
Non-current assets					
Concession assets	20			4.844.304	3.200.239
Indemnifiable financial assets	21			3.486.960	3.000.631
Accounts receivable	7			82.987	100.545
Securities	6			1.750	1.750
Recoverable income tax and social contribution	9	34.320	31.296	95.909	93.761
Other recoverable taxes	9	61.043	71.090	1.479.728	1.663.011
Deferred taxes	10			710.558	741.695
Loans receivable	11	502.074	109.597	4.518	26.186
Advance for future capital increase	11	70.100	109.020		
Pledges and restricted deposits	13	9.218	11.433	433.037	402.367
Sectorial financial assets	8			318.585	131.430
Future commitments	15			349.330	
Other receivables	16	46.483	49.971	39.449	61.714
		723.238	382.407	11.847.115	9.423.329
Investments	18	9.207.716	8.514.980	2.032.259	2.097.673
Investment properties		9.484	9.484	11.393	11.552
Property, plant and equipment	22	19.317	27.460	6.271.823	6.306.057
Intangible assets	23	36.307	30.641	2.659.590	2.325.483
		9.272.824	8.582.565	10.975.065	10.740.765
Total non-current assets		9.996.062	8.964.972	22.822.180	20.164.094
TOTAL ASSETS		**11.423.901**	**10.455.587**	**30.291.259**	**27.489.069**

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
BALANCE SHEETS AT
(In thousands of reais)

	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
LIABILITIES					
Current liabilities					
Suppliers	24	24.792	13.970	2.251.446	2.104.901
Income tax and social contribution payable	9			100.260	43.760
Other taxes payable	9	68.110	71.276	531.516	493.977
Deferred taxes	10			11.550	1.501
Dividends	14	360.362	324.790	514.171	399.596
Debentures	25	238.423	63.400	1.260.750	1.371.206
Loans, financing and debt charges	26			2.053.615	617.472
Post-employment benefits	27	47	26	45.538	46.631
Sectorial charges	28			111.251	98.155
Use of Public Property	29			35.609	29.326
Refund for unavailability	30			5.307	62.622
Provisions	31			102.915	81.470
Sectorial financial liabilities	8			626.801	
Future commitments	15			57.060	
Other accounts payable	16	66.362	56.836	351.293	306.483
		758.096	530.298	8.059.082	5.657.100
Non-current liabilities held-for-sale	17				76.427
Total current liabilities		758.096	530.298	8.059.082	5.733.527
Non-current liabilities					
Other taxes payable	9	21.883	21.859	326.422	355.648
Deferred taxes	10	206.366	208.597	1.109.341	730.780
Debentures	25	204.107	431.137	3.955.451	4.816.515
Loans, financing and debt charges	26	100.934		1.765.076	1.659.645
Post-employment benefits	27			850.931	868.652
Sectorial charges	28				8.803
Use of Public Property	29			407.226	294.765
Provisions	31	8.186	11.611	552.212	482.377
Provision for unsecured liabilities	18		11.046		11.046
Sectorial financial liabilities	8			1.770.600	2.099.003
Future commitments	15			141.445	
Other accounts payable	16	3.249	11.992	97.200	96.711
Total non-current liabilities		544.725	696.242	10.975.904	11.423.945
SHAREHOLDERS' EQUITY					
Capital	32.1	5.502.716	4.682.716	5.502.716	4.682.716
Capital reserves	32.3	141.069	139.578	141.069	139.578
Profit reserves	32.3	5.365.110	5.059.602	5.365.110	5.059.602
Other comprehensive income	32.4	(741.827)	(620.694)	(741.827)	(620.694)
Treasury shares	32.5	(145.988)	(32.155)	(145.988)	(32.155)
		10.121.080	9.229.047	10.121.080	9.229.047
Non-controlling shareholders	32.6			1.135.193	1.102.550
Total shareholders' equity		10.121.080	9.229.047	11.256.273	10.331.597
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11.423.901**	**10.455.587**	**30.291.259**	**27.489.069**

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31
(In thousands of reais, unless otherwise indicated)

		Parent company		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Revenue	33	2.826	4.634	14.983.800	15.228.336
Costs	34				
Electricity services cost				(8.124.795)	(7.888.945)
Cost of production for electricity				(256.814)	(590.560)
Cost of operation				(1.180.395)	(1.220.527)
Cost of service rendered to third-parties				(1.810.682)	(2.576.518)
		-	-	(11.372.686)	(12.276.550)
Gross profit		2.826	4.634	3.611.114	2.951.786
Operating expenses and income					
Estimated loss from allowance for doubtful accounts - PECLD	34			(146.155)	(113.000)
General and administrative expenses	34	(97.938)	(97.707)	(595.850)	(423.266)
Other operating expenses and income	34	(2.589)	11.173	(135.798)	(123.208)
		(100.527)	(86.534)	(877.803)	(659.474)
Income (loss) from equity interest	18	1.696.483	1.446.997	79.960	68.148
Income before financial result and taxes		1.598.782	1.365.097	2.813.271	2.360.460
Financial result	35				
Financial income		6.491	47.071	396.572	758.416
Financial expenses		(99.472)	(73.194)	(847.832)	(1.191.596)
		(92.981)	(26.123)	(451.260)	(433.180)
Income before income taxes		1.505.801	1.338.974	2.362.011	1.927.280
Income taxes	36				
Income tax and social contribution - current		(24)		(406.153)	(287.901)
Deferred income tax and social contribution		2.240	(1.118)	(241.938)	(156.924)
		2.216	(1.118)	(648.091)	(444.825)
Net income for the year		**1.508.017**	**1.337.856**	**1.713.920**	**1.482.455**
Attributable to controlling shareholders		1.508.017	1.337.856	1.508.017	1.337.856
Attributable to non-controlling shareholders				205.903	144.599
Earnings per share attributable to shareholders	37				
Basic earnings per share (reais/shares)					
Common shares		2,49565	2,21204	2,49565	2,21204
Diluted earnings per share (reais/shares)					
Common shares		2,48450	2,20354	2,48450	2,20354

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31
(In thousands of reais)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income for the year	1.508.017	1.337.856	1.713.920	1.482.455
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains and losses - Post-employment benefit plan			53.336	(112.890)
Equity accounting on other comprehensive income of subsidiaries	(121.133)	(218.740)	(155.173)	(144.233)
Deferred income tax and social contribution			(18.134)	38.383
	(121.133)	(218.740)	(119.971)	(218.740)
Items that will be reclassified to profit or loss				
Cash flow hedge			(1.760)	
Deferred income tax and social contribution			598	
	-	-	(1.162)	-
Comprehensive income for the year	**1.386.884**	**1.119.116**	**1.592.787**	**1.263.715**
Attributable to controlling shareholders	1.386.884	1.119.116	1.386.884	1.119.116
Attributable to non-controlling shareholders			205.903	144.599

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of reais)

	Capital	Capital reserves	Profit reserves	Treasury shares	Other comprehensive income	Retained earnings	Total parent company	Non-controlling shareholders	Total consolidated
Balances at December 31, 2018	**4.682.716**	**136.733**	**4.110.950**	**(4.738)**	**(401.954)**	**-**	**8.523.707**	**1.150.874**	**9.674.581**
Capital decrease of subsidiaries							-	(30.650)	(30.650)
Equity valuation adjustment		(1.600)					(1.600)	1.600	-
Additional dividends – Annual and Special Shareholders' Meeting 16/04/2019			(37.187)				(37.187)		(37.187)
Dividends to non-controlling shareholders							-	(163.873)	(163.873)
Stock options granted		3.819					3.819		3.819
Disposal of treasury shares				(27.417)			(27.417)		(27.417)
Initial adoption of CPC 47 of associated company						1.474	1.474		1.474
Disposal of treasury shares – Share-based payment plan		626					626		626
Net income for the year						1.337.856	1.337.856	144.599	1.482.455
Distribution of profit									
Formation of legal reserve			66.967			(66.967)	-		-
Profit retention reserve			667.558			(667.558)	-		-
Interim dividends (Interest on own capital)						(236.000)	(236.000)		(236.000)
Supplementary mandatory dividends						(117.491)	(117.491)		(117.491)
Complementary dividends			251.314			(251.314)	-		-
Other comprehensive income									
Equity accounting on other comprehensive income of subsidiaries					(218.740)		(218.740)		(218.740)
Balances at December 31, 2019	**4.682.716**	**139.578**	**5.059.602**	**(32.155)**	**(620.694)**	**-**	**9.229.047**	**1.102.550**	**10.331.597**

	Capital	Capital reserves	Profit reserves	Treasury shares	Other comprehensive income	Retained earnings	Total parent company	Non-controlling shareholders	Total Consolidated
Balances at December 31, 2019	**4.682.716**	**139.578**	**5.059.602**	**(32.155)**	**(620.694)**	**-**	**9.229.047**	**1.102.550**	**10.331.597**
Capital increase in subsidiaries							-	10.000	10.000
Equity valuation adjustment		(1.600)					(1.600)	1.600	-
Dividends to non-controlling shareholders							-	(184.860)	(184.860)
Stock options granted		3.014		155			3.169		3.169
Disposal of treasury shares		77		1.310			1.387		1.387
Repurchase of treasury shares				(115.298)			(115.298)		(115.298)
Net income for the year						1.508.017	1.508.017	205.903	1.713.920
Distribution of profit									
Formation of legal reserve			75.401			(75.401)	-		-
Profit retention reserve			833.905			(833.905)	-		-
Capital increase upon reversal of dividends	820.000		(820.000)				-		-
Interim dividends (Interest on own capital)						(162.366)	(162.366)		(162.366)
Supplementary mandatory dividends						(220.143)	(220.143)		(220.143)
Income for the year to be deliberated			216.202			(216.202)	-		-
Other comprehensive income									
Equity accounting on other comprehensive income of subsidiaries					(121.133)		(121.133)		(121.133)
Balances at December 31, 2020	**5.502.716**	**141.069**	**5.365.110**	**(145.988)**	**(741.827)**	**-**	**10.121.080**	**1.135.193**	**11.256.273**

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2020	2019	2020	2019
Cash flow from operating activities					
Income before income taxes		1.505.801	1.338.974	2.362.011	1.927.280
Adjustments for reconciliation of income to cash from operating activities					
Deferred taxes		9	107	163.617	226.178
Estimated loss from allowance for doubtful accounts - PECLD				145.996	113.000
Remuneration of concession assets				(521.083)	(461.087)
Fair value of indemnifiable financial assets				(136.352)	(292.655)
Depreciation and amortization		16.957	17.876	648.563	622.357
Residual value of property, plant and equipment and intangible assets written off		1.163	2.451	31.816	15.301
Gains and losses in the disposal/decommission of assets and rights				5.203	152
Interest and inflation adjustments of Loans receivable		(9.804)	(13.086)	(10.870)	(13.160)
Concession right - GSF				(388.859)	
Sectorial financial assets and liabilities				29.376	401.713
Suppliers - inflation adjustment - Free Energy				(90.219)	6.913
Debt charges, inflation adjustments and adjustment to present value on loans, financing and debentures		62.954	64.009	438.819	508.273
Use of Public Property - inflation adjustment and adjustment to present value				90.780	39.267
Leases and rentals - inflation adjustment and adjustment to present value		(514)	962	3.920	14.748
Provision for post-employment benefit plan				63.945	(66.158)
Provisions (reversals) and inflation adjustments for civil, tax and labor contingencies		(1.261)	258	109.824	85.184
Provisions for environmental permits - inflation adjustment and adjustment to present value				14.333	5.747
Adjustment to present value				(1.763)	(4.689)
Future commitments				(227.446)	
Income (loss) from equity interest		(1.696.483)	(1.446.997)	(79.960)	(68.148)
Gains on investments		21.380		21.380	
Sectoral charges – provision and inflation adjustment				42.241	60.873
Pledges and restricted deposits linked to lawsuits - inflation adjustment		(189)	(2.307)	(10.676)	(16.046)
Taxes and social contributions - inflation adjustment		(2.548)	(6.719)	(66.857)	(452.706)
Recognition (reversal) of provision – Reimbursement due to Unavailability				(34.338)	
Amortization of risk premium - GSF				86.104	3.292
Other		2.699	(586)	2.089	15.044
		(99.836)	(45.058)	2.691.594	2.670.673
(Increase) decrease in operating assets					
Accounts receivable				(360.209)	(535.731)
Sectorial financial assets				(155.962)	205.599
Concession assets				37.313	
Securities				(18.795)	39.271
Recoverable income tax and social contribution		(72)	70.408	304.319	763.374
Other recoverable taxes		(10.211)	(36.201)	(93.545)	(2.064.398)
Inventories				(6.336)	57.666
Pledges and restricted deposits		2.404	(286)	(14.347)	(122.144)
Income receivable				1.115	(1.122)
Other operating assets		3.173	(9.366)	43.127	(28.367)
		(4.706)	24.555	(263.320)	(1.685.852)
Increase (decrease) in operating liabilities					
Suppliers		10.822	(4.572)	(113.850)	538.344
Sectorial financial liabilities				238.909	1.447.863
Income tax and social contribution payable			37	(269.331)	(200.654)
Other taxes payable		34.485	(28.299)	323.259	276.312
Post-employment benefits				(43.548)	(54.231)
Sectorial charges				(40.489)	(120.251)
Provisions		(2.164)	(2.376)	(67.053)	(86.842)
Refund for unavailability				(1.942)	(3.856)
Use of Public Property				(30.274)	(29.288)
Other operating liabilities		3.315	20.983	64.353	129.732
		46.458	(14.227)	60.034	1.897.129
Cash (invested in) received from operating activities		**(58.084)**	**(34.730)**	**2.488.308**	**2.881.950**
Income tax and social contribution paid			(37)	(396.498)	(378.437)
Net cash (invested in) received from operating activities		**(58.084)**	**(34.767)**	**2.091.810**	**2.503.513**
Net cash from investing activities					
Disposal of investment					(12.155)
Acquisition of investment		(94.643)		(94.643)	(74.681)
Dividends and interest on own capital received		1.290.177	511.066	58.571	34.991
Securities					(1.750)
Advance for future capital increase		(74.300)	(20)		
Capital increase in subsidiaries		(75.360)	(228.770)	(4.863)	(55.655)
Capital decrease in subsidiaries			48.000		
Additions to concession assets				(1.316.287)	(2.053.415)
Additions to Property, plant and equipment and intangible assets		(10.472)	(10.184)	(127.600)	(135.292)
Disposal of assets and rights				(33)	48
Loans receivable		(266.481)	12.853	(2.333)	7.868
Cash and cash equivalents - Investment held for sale				34.392	(34.324)
Net cash from (invested in) investment activities		**768.921**	**332.945**	**(1.452.796)**	**(2.324.365)**
Cash flow from financing activities					
Pledges and restricted deposits				126.474	570.936
Accounts received		407	4.681		
Dividends and interest on own capital paid		(322.583)	(414.144)	(424.025)	(549.164)
Funding of loans, financing and debentures		100.000		1.906.950	2.264.419
Amortization of principal of loans, financing, derivatives and debentures		(73.540)	(71.788)	(1.631.460)	(1.463.286)
Payment of debt charges, net of derivatives		(40.487)	(46.562)	(371.544)	(489.250)
Payment of principal and interest from leases		(1.998)	(3.079)	(34.249)	(28.794)
Capital decrease in subsidiaries for non-controlling shareholders					(32.000)
Advances for future capital increase by non-controlling shareholders					10.000
Disposal of treasury shares		(113.911)	(26.791)	(113.911)	(26.791)
Net cash (invested in) financing activities	42.1	**(452.112)**	**(557.683)**	**(541.765)**	**256.070**
Net decrease (increase) in cash and cash equivalents		**258.725**	**(259.505)**	**97.249**	**435.218**
Cash and cash equivalents at the end of the year		907.204	648.479	2.735.859	2.638.610
Cash and cash equivalents at the beginning of the year		648.479	907.984	2.638.610	2.203.392
		258.725	**(259.505)**	**97.249**	**435.218**

See the accompanying notes to financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF ADDED VALUE
YEARS ENDED DECEMBER 31
(In thousands of reais)

	Parent company		Consolidated	
	2020	2019	2020	2019
Generation of added value	**18.004**	**28.973**	**21.148.745**	**20.170.717**
Operating revenue	3.091	4.959	18.090.950	16.632.280
Estimated loss from allowance for doubtful accounts - PECLD			(146.155)	(113.000)
Revenue related to the construction of company assets	10.033	9.487	509.950	164.515
Revenue from construction			1.920.393	2.894.678
Remuneration of concession assets			373.372	156.255
Restatement of indemnifiable financial assets			136.352	292.655
Other revenue	4.880	14.527	263.883	143.334
(-) Inputs acquired from third parties	**(62.562)**	**(53.565)**	**(12.400.304)**	**(12.872.925)**
Costs of purchased energy			(8.145.256)	(7.611.168)
Electricity network utilization charges			(1.240.898)	(1.067.337)
Materials	(1.009)	(2.808)	(136.099)	(141.333)
Raw material and inputs for production of electric power			(260.514)	(590.560)
Third-party services	(44.184)	(39.526)	(559.806)	(590.325)
Infrastructure construction cost			(1.772.681)	(2.589.846)
Other operating costs	(17.369)	(11.231)	(285.050)	(282.356)
Gross added value	**(44.558)**	**(24.592)**	**8.748.441**	**7.297.792**
Retentions				
Depreciation and amortization	(16.944)	(17.780)	(670.370)	(641.911)
Net generated value added	**(61.502)**	**(42.372)**	**8.078.071**	**6.655.881**
Added value received through transfers				
Financial income	37.260	81.550	470.625	883.128
Equity accounting result	1.696.483	1.446.997	79.960	68.148
Total added value payable	**1.672.241**	**1.486.175**	**8.628.656**	**7.607.157**
Distribution of added value				
Personnel				
Direct remuneration	27.283	27.570	336.159	321.082
Benefits	3.063	3.583	100.674	(29.935)
FGTS	1.997	2.705	27.798	28.213
Taxes, rates and contributions				
Federal	31.940	39.690	2.787.882	1.629.522
State	32	23	2.529.398	2.779.507
Municipal	116	855	11.998	13.235
Third-party capital remuneration				
Interest	99.472	73.194	1.115.830	1.374.053
Rentals	321	699	4.997	9.025
Remuneration of own capital				
Interest on own capital	162.366	236.000	162.366	236.000
Non-controlling interests			205.903	144.599
Dividends	220.143	117.491	220.143	117.490
Founders' shares			26.784	16.943
	546.733	**501.810**	**7.529.932**	**6.639.734**
Retained earnings	1.125.508	984.365	1.098.724	967.423
	1.672.241	**1.486.175**	**8.628.656**	**7.607.157**

See the accompanying notes to financial statements.

1 Context

1.1 Operating

EDP - Energias do Brasil S.A. (Company, Parent company or EDP - Energias do Brasil), corporation, publicly traded, incorporated on July 24, 2000, with head office in the municipality of São Paulo, has as its corporate purpose: (i) To participate in other companies as shareholder, or quotaholder, as well as render services in business and projects of the energy sector, in Brazil and/or abroad; (ii) managing energy generation, transmission, distribution and trading assets, in their various forms and categories; (iii) to study, plan, develop,, and implement projects in distribution, generation, transmission, and sales of electricity in all of its forms and descriptions; and (iv) to provide services for the electrical industry in Brazil or overseas.

The Company's shares, under code "ENBR3", are recorded in the New Market, in the highest level of Corporate Governance of B3, called "Novo Mercado". In addition, the Company's shares are part of portfolios of the following B3: Bovespa Index – Ibovespa and Electrical Energy Index – IEE.

The Company has the following interests in subsidiaries, joint ventures and associated companies:

			% interest			
			12/31/2020		12/31/2019	
Companies	**Classification**	**Consolidation**	**Direct**	**Indirect**	**Direct**	**Indirect**
Distribution						
EDP Espírito Santo Distribuição de Energia S.A. (EDP Espírito Santo)	Subsidiary	full	100,00	-	100,00	-
EDP São Paulo Distribuição de Energia S.A. (EDP São Paulo)	Subsidiary	full	100,00	-	100,00	-
Generation						
Energest S.A. (Energest)	Subsidiary	full	100,00	-	100,00	-
Enerpeixe S.A. (Enerpeixe)	Subsidiary	full	60,00	-	60,00	-
Investco S.A. (Investco)	Subsidiary	full	-	40,78	-	40,78
Lajeado Energia S.A. (Lajeado)	Subsidiary	full	55,86	-	55,86	-
Porto do Pecém Geração de Energia S.A. (Porto do Pecém)	Subsidiary	full	100,00	-	100,00	-
Resende Engenharia e Assessoria Ltda. (Resende)	Subsidiary	full	100,00	-	100,00	-
Companhia Energética do Jari – (CEJA)	Joint venture	by the equity method	50,00	-	50,00	-
Empresa de Energia Cachoeira Caldeirão S.A. (Cachoeira Caldeirão)	Joint venture	by the equity method	50,00	-	50,00	-
Empresa de Energia São Manoel S.A. (São Manoel)	Joint venture	by the equity method	33,334	-	33,334	-
Sales						
EDP Comercialização e Serviços de Energia Ltda. (EDP Comercializadora)	Subsidiary	full	100,00	-	100,00	-
EDP Comercialização Varejista Ltda. (EDP Varejista)	Subsidiary	full	100,00	-	100,00	-
Transmission						
EDP Transmissão Aliança SC S.A. (EDP Transmissão Aliança)	Subsidiary	full	90,00	-	90,00	-
EDP Transmissão Litoral Sul S.A. (EDP Transmissão Litoral Sul)	Subsidiary	full	-	100,00	-	100,00
EDP Transmissão MA I S.A. (EDP Transmissão MA I)	Subsidiary	full	100,00	-	100,00	-
EDP Transmissão MA II S.A. (EDP Transmissão MA I)	Subsidiary	full	100,00	-	100,00	-
EDP Transmissão S.A. (EDP Transmissão)	Subsidiary	full	100,00	-	100,00	-
EDP Transmissão SP-MG S.A. (EDP Transmissão SP-MG)	Subsidiary	full	100,00	-	100,00	-
Services						
EDP GRID Gestão de Redes Inteligentes de Distribuição S.A. (EDP GRID)	Subsidiary	full	100,00	-	100,00	-
EDP Soluções em Energia S.A. (EDP Soluções)	Subsidiary	full	-	100,00	-	100,00
UFV SP V Equipamentos Fotovoltáicos LTDA. (UFV SP V Equipamentos)	Subsidiary	full	-	100,00	-	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica S.A. (Pecém OM)	Joint venture	by the equity method	50,00	-	50,00	-
Porto do Pecém Transportadora de Minérios S.A. (Pecém TM)	Joint venture	by the equity method	50,00	-	50,00	-
Other						
Centrais Elétricas de Santa Catarina S.A. (Celesc)	Associated company with significant influence	by the equity method	29,90	-	25,35	-
EDP Ventures Brasil S.A. (EDP Ventures)	Subsidiary	full	100,00	-	100,00	-
Mabe Construções e Administração de Projetos Ltda. (Mabe)	Joint venture	by the equity method	50,00	-	50,00	-
Comercializadora de equipamentos y materiais Mabe Ltda. (Mabe Chile)	Joint venture	by the equity method by Mabe Construções	-	50,00	-	50,00

1.2 ESG (Environmental, Social, Governance) Strategies

For 15 years the Company has been part of the Corporate Sustainability Index (ISE) of Brazil's main stock exchange (B3 S.A. – Brasil, Bolsa, Balcão), indicating the solidity of its sustainability strategy. The ISE is a comparative analysis tool that reflects the return of a portfolio consisting of shares of companies with the best performance in aspects of ESG, serving as a benchmark for socially responsible investment. ESG consists of a set of environmental, social and governance practices, which can be used to guide investments and consumption choices focusing on sustainability. In addition to its internal commitments — such as "Ambition 2030" and "Targets 2022" — the Company maintains its commitment to contribute toward 9 of the 17 UN Sustainable Development Goals (SDGs), which are: Gender equality; Affordable and clean energy; Decent work and economic growth; Industry, innovation and infrastructure; Sustainable cities and communities; Responsible consumption and production; Action to fight global warming; Life on land; Partnerships and means of implementation.

The Grupo EDP - Energias do Brasil vision of being a global energy company, a leader in the energy transition with a view to creating higher value, reflects the intrinsic relationship between business and sustainability. This vision was recently reinforced in the 2019–2022 Strategic Plan, which consists of five pillars, namely: Accelerated and focused growth; Ongoing portfolio optimization; Solid balance and low risk profile; Efficient and digital; and Attractive remuneration for shareholders — which, in addition to goals and targets for 2022 in such a way as to continue the 2020 Goals — establishes a clear ambition for 2030, focused on decarbonization and a leadership position in the accelerated energy transition.

2 Grants

The concessions, records and authorizations, the companies have considerable independence in the management of their businesses, which includes measures related to investments, personnel, materials and technology, provided that they comply with the provisions of the Concession Agreements, the standards of the electric power industry and the instructions of the Concession Grantor and Brazilian Electricity Regulatory Agency (Agência

According to Articles 63 and 64 of Decree 41019/57, the infrastructure assets used in power generation, distribution and in transmission, are related to these services and cannot be disposed, sold, assigned or mortgaged without the prior and formal authorization of the Regulatory Agency.

It is also established that, once the concession term has ended, the authorization or the record, the reversal of the Concession Grantor will be fully performed, regarding the assets and facilities linked to the rendering of services, and the analyses and assessments required by the regulatory body

ANEEL Resolution 691/15 regulates the removal of assets from the Power Public Service concessions, granting prior authorization to separate assets not of use to the concession, when intended for donation of social interest or disposal, determining that the amount from the sale should be deposited in a specific bank account for reinvestment in the concession.

On December 31, 2020, the Company's subsidiaries and jointly-controlled subsidiaries have the right to explore the following power generation, transmission and distribution permits:

In operation

Companies	Power Plant	Description	Grant	State	Installed capacity (MWm) (*)	Assured energy (MWm) (*)	Inception	End	Extension	Indemnity
Distribution										
EDP Espírito Santo		Public service	Concession	ES			17/07/1995	17/07/2025	It may be extended at the discretion of the Concession Grantor	(i)
EDP São Paulo		Public service	Concession	SP			23/10/1998	23/10/2028	It may be extended at the discretion of the Concession Grantor	(i)
Generation										
Cachoeira Caldeirão	UHE Cachoeira Caldeirão	Independent producer	Concession	AP	219,00	129,70	29/05/2013	29/05/2048	No extension of provision in the current legislation	(ii)
CEJA	UHE Santo Antônio do Jari	Independent producer	Concession	PA/AP	392,95	222,00	21/12/1987	12/31/2044	20 years	(i)
Energest	UHE Mascarenhas	Public service	Concession	ES/MG	198,00	134,80	14/07/1995	16/07/2025	At Aneel's discretion, this may be extended for another 20 years	(i)
Enerpeixe	UHE Peixe Angical	Independent producer	Concession	TO	498,75	280,50	07/11/2001	07/11/2036	It may be extended at the discretion of the Concession Grantor	(i)
Investco	UHE Luiz Eduardo Magalhães	Independent producer	Concession	TO	902,50	505,10	15/01/1998	15/01/2033	It may be extended at the discretion of the Concession Grantor	(i)
Porto do Pecém	UTE Porto do Pecém I	Independent producer	Authorization	CE	720,27	645,30	01/07/2008	01/07/2043	No extension of provision in the current legislation	(iii)
São Manoel	UHE São Manoel	Independent producer	Concession	PA	735,84	430,40	10/04/2014	10/04/2049	No extension of provision in the current legislation	(ii)

Transmission

Company	Line extension	Description	Grant	State	Line description	Inception	End	Extension	Indemnity
EDP Transmissão	113 Km	Public service	Concession	ES	LT230Kv; SE 230/138-3.8 kV	10/02/2017	09/02/2047	It may be extended at the discretion of the Concession Grantor	(ii)
EDP Transmissão MA I	203 km	Public service	Concession	MA	2 LT 230 kV; SE 230/69 kV	11/08/2017	11/08/2047	It may be extended at the discretion of the Concession Grantor	(ii)

Under project/construction phase

Companies	Line extension	Description	Grant	State	Line description	Inception	End	Extension	Indemnity
Transmission									
EDP Transmissão MA I	123 Km	Public service	Concession	MA	2 LT 500 kV; SE 500/230/69 kV; SE 500/230 kV	11/08/2017	11/08/2047	It may be extended at the discretion of the Concession Grantor	(ii)
EDP Transmissão Aliança	484.5 km	Public service	Concession	SC	3 LT 525kV; 2 LT 230kV; SE 525/230 kV	11/08/2017	11/08/2047	It may be extended at the discretion of the Concession Grantor	(ii)
EDP Transmissão SP-MG	375 km	Public service	Concession	SP/MG	LT 500 kV	11/08/2017	11/08/2047	It may be extended at the discretion of the Concession Grantor	(ii)
EDP Transmissão Litoral Sul	142 km	Public service	Concession	SC/RS	3 LT 230kV; SE 230/69 kV; SE 230/138/69 kV	27/06/2016	27/06/2046	It may be extended at the discretion of the Concession Grantor	(ii)

(*) Not audited by independent auditors.

(i) At the end of the Concession Agreement period, all assets and facilities linked will be incorporated into the Brazilian Federal Government's assets, and the concessionaires will be refunded for any investments made and not yet amortized, provided that the latter have been authorized by Brazilian Electricity Regulatory Agency - ANEEL and subjected to an ANEEL audit.

(ii) Upon the advent of the expiry date of the Concession Agreement, all the assets and facilities will become an integral part of the Property of the Federal Government, against the indemnity of subsequent investments, not provided for in the original project and not yet amortized or depreciated, which have been realized so as to ensure the continuity and timeliness of the service granted. The amount will be determined through an Audit by the Concession Grantor.

(iii) Indemnity is not expected.

In addition, the associated company CELESC, in which the Company holds minority interest with significant influence, has control over the following granting:

Companies	Power Plant	Description	Grant	State	Installed capacity (MWm) (i)	Assured energy (MWm) (i)	End of Concession
Distribution							
Celesc Distribuição S.A. – Celesc D		Public service	Concession	SC			07/07/2045
Natural gas							
Companhia de Gás de Santa Catarina S.A. – SCGÁS		Public service	Concession	SC			28/03/2044
Generation							
Celesc Geração S.A. – Celesc G	UHE Garcia	Independent producer	Concession	SC	8,92	7,10	07/07/2045
	UHE Pery	Independent producer	Concession	SC	30,00	14,08	09/07/2047
	UHE: Palmeiras, Bracinho, Cedros and Salto	Independent producer	Concession	SC	54,28	36,24	07/11/2046
	PCH Celso Ramos	Independent producer	Concession	SC	5,62	3,80	17/03/2035
	CGH: Caveiras, Ivo Silveira, Piraí, São Lourenço and Rio do Peixe	Independent producer	Concession	SC	8,15	5,97	(ii)
Total					106,97	67,19	

Other expansion projects of the wholly owned associated company Celesc G are under review for expansion and reactivation, as shown in the following table:

Description	Location	End of the concession	Installed power (MW) (i)	Increase of power (MW) (i)	Final power (MWm) (i)	Status
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5,62	8,30	13,92	Under construction
Usina Salto Weissbach	Blumenau/SC	07/11/2046	6,28	23,00	29,28	Environmental licensing
Usina Cedros Etapas 1 e 2	Rio dos Cedros/SC	07/11/2046	8,40	4,50	12,90	Review of basic project
Usina Palmeiras	Rio dos Cedros/SC	07/11/2046	24,60	0,75	25,35	Review of basic project
CGH Maruim	São José/SC	(ii)		1,00	1,00	Environmental licensing
CGH Caveiras	Lages/SC	(ii)	3,83	10,00	13,83	Inventory study
Total			48,73	47,55	96,28	

The foregoing information was extracted from the interim accounting information of September 30, 2020, released to the market on November 13, 2020.
(i) Not audited by independent auditors.
(ii) Plants with installed capacity below 5MW are exempt from the Concession Act (Law 13360/16).

2.1 Distribution, Generation and Transmission concession agreements

The main liabilities set forth in the concession agreement are as follows:

• Distribution

Grantor: inspection of the compliance with the contract; to ensure the adequate provision of the service; to extend the term of the contract to ensure the quality of the service at adequate costs; to adjust the tariffs to ensure the economic and financial balance of the concession agreement; and, upon the receipt of the concession, to refund, as provided for in the law, the portions of associated investments which are not amortized or not depreciated on the date of the transfer, discounting, in the event of forfeiture, amounts of contractual fines and damage caused by distributors.

Concessionaires: permanently keep assets and facilities master file updated; maintain equipment in perfect operation and technical conditions to ensure service continuity and efficiency; to charge for the supply of electric power at the tariffs approved by the Concession Grantor; and make investments required to guarantee service provision.

• Generation

Grantor: inspection of the compliance with the contract; monitoring of the execution of the works and exploitation of its facilities either directly or through representatives of accredited bodies, which will have free access to the works, facilities and equipment linked to the concession; to extend the term of the contract, if required; compliance with legal and contractual rules; use and application of energy, as well as the quality and sale of the product.

Concessionaires: maintain, on a permanent basis, the equipment and installations of the generating unit in perfect working condition, with an adequate operating structure and conservation of assets and facilities; general safety and health conditions for operators, visitors and populations neighboring the project.

• Transmission

Grantor: inspection of the compliance with the contract; to ensure the adequate provision of the service; to review the tariffs to ensure the economic and financial balance of the concession agreement; and, upon the receipt of the concession, to refund, as provided for in the law, the portions of associated investments which are not amortized or not depreciated on the date of the transfer, discounting, in the event of forfeiture, amounts of contractual fines and damage caused by transmission companies.

Concessionaires: it shall build, operate and maintain transmission facilities complying with all the requirements of the licensing bodies; maintain up-to-date the records and inventory of assets associated with the concession and the technical documentation of the equipment and facilities; and comply with and enforce the regulatory standards and the instructions and determinations of the Concession Grantor and ANEEL.

2.1.1 Technical interpretation ICPC 01 (R1) – Concession agreements

ICPC 01 (R1), approved by CVM Resolution 677/11 is applicable to the public-private Concession Agreements in which the public entity controls or regulates the services rendered, with which infrastructure, at which price and to whom the service should be rendered, and is also has possession of this infrastructure. Based on individual analysis of concession agreements and authorization disclosed in the table above, the Company concluded that this interpretation is applicable to concession agreements of distribution and transmission subsidiaries.

Conversely, the agreements of the generation subsidiaries have characteristics that do not meet the ICPC 01 classification requirements, mainly because the trading price of the energy produced is not fully regulated, essentially by the Concession Grantor, since a significant part of income accrued by plans derives from Free Trade Market (ACL). Therefore, these agreements fall within the scope of CPC 27 – Property, Plant and Equipment.

According to ICPC 01 (R1), the assets of the infrastructure classified in this interpretation cannot be recognized as property, plant and equipment because the concessionaire does not control the underlying assets, and it is recognized in accordance with one of the accounting models provided for in the interpretation, depending on the type of remuneration agreed on between the concessionaire and the grantor, which are the financial asset model.

• Financial asset model

This model is applicable when the concessionaire has the unconditional right to receive certain monetary sums regardless of the level of use of the concession infrastructure.

• **Intangible asset model**

This model is applicable when the concessionaire, in the sphere of the concession, is remunerated in keeping with the degree of use of the infrastructure by the users through the rendering of service.

• **Bifurcated model**

This model applies when the concession simultaneously includes remuneration commitments guaranteed by the Grantor and remuneration commitments dependent on the level of use of the concession infrastructures, charged to the users.

How the distribution subsidiaries are remunerated: (i) by the Concession Grantor, regarding the infrastructure residual value at the end of the concession agreement; and (ii) by users for their part in the construction services and electricity supply service; thus, the bifurcated model is applied.

Due to implementation of ICPC 01 (R1), distribution infrastructure assets in service were divided as follows: (i) Financial asset subject to indemnity (Note 21) – comprised of estimated portion of investments made and not amortized up to the end of concession agreement that will be the object of indemnity by the Concession Grantor; and (ii) Intangible Assets (Note 23) – includes the right of use, during concession period, of built or acquired infrastructure by distributors and, accordingly, to the right of charging for provided electric power supply services during concession agreement period.

With the adoption of CPC 47, the infrastructure assets of the distribution subsidiaries began to be treated as Concession assets during the construction period (Note 20.1).

The transmission subsidiaries are remunerated through: (i) of the Permitted Annual Revenue - RAP, established by the Concession Grantor and charged from Basic Network users, which is composed of a portion that remunerates the established financial asset (investment in the construction of transmission facilities) and a portion that remunerates the operation and maintenance of the transmission network; and (ii) possible infrastructure residual value at the end of the concession agreement. Thus, since remuneration does not depend on the level of infrastructure usage, the Company falls under the model of the financial asset (Note 20.2).

The financial asset model determines that income from the concession agreement must be recognized according to the criteria of CPC 47.

3 Preparation basis

3.1 Statement of conformity

The individual and consolidated financial statements of the Company were prepared in accordance with accounting practices adopted in Brazil, in compliance with the provisions contained in the Corporation Law, and incorporates the changes introduced through Law No. 11.638/07 and 11.941/09, supplemented by the new pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and Brazilian Securities Commission (CVM) and are in conformity with International Financial Reporting Standards - IFRS, issued by International Accounting Standards Board - IASB and specific laws of the Brazilian Power Regulatory Agency - ANEEL, when they do not conflict with the accounting practices adopted in Brazil and/or international accounting practices.

The presentation of a Statement of Added Value, prepared according to the CPC 09 - Statement of Added Value, is required by Brazilian Corporate Law and by the accounting practices adopted in Brazil applicable to Publicly-Held Companies. International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to financial statements as a whole.

Management evaluated the ability of the Company and of its subsidiaries to continue operating normally and it is convinced that the Company and its subsidiaries have the ability to continue as a going concern. In addition, the Management of the Company and its subsidiaries is not aware of any material uncertainty that could raise significant doubts related to their ability to continue as a going concern. Accordingly, these financial statements have been prepared based on the going concern assumption.

The Company's management affirms that all relevant information from its own financial statements, and only them, are highlighted and correspond to those used thereby in its management.

The Executive Board of the Company and its subsidiaries authorized the issue of financial statements on January 22, 2021. After this date, changes can only be made by the Board of Directors.

3.2 Accounting practices

The significant accounting policies of the Company and its subsidiaries are presented in their own notes to the items to which they are related.

3.3 Basis of measurement

The individual and consolidated financial statements were prepared based on the historical cost as base value except: (i) certain financial assets and liabilities were measured at fair value as stated in Note 38.1.1.; and (ii) net defined benefit assets and liabilities that are recognized at fair value, with limitation of the recognition of actuarial surplus (Note 27).

3.3.1 EDP Comercializadora - measurement of energy trading agreements

The contracts entered into by the energy trading company EDP Comercializadora are aimed at the sale of electricity in accordance with the requirements of the Trading Rules, regulated by Brazilian Electricity Regulatory Agency - ANEEL and applicable to all agents registered with the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). These transactions are held for receipt or delivery until the settlement date of the transaction established in the agreement, under the terms of the contractual purchase and sale requirements. In 2020, the subsidiary identified and deemed that there have been significant changes on the energy market, as well as changes in its own risk methodology and strategy in the commercial intermediation between electricity generating companies and end customers.

In this regard, the subsidiary evaluated its contracts, from the viewpoint of standard CPC 48 – Financial Instruments, considering that now they are not only intended for the delivery of energy ("own use", according to the term used in CPC 48), but for generating value in financial intermediation, regarding the purchase and sale of a non-financial item (energy), but which can be settled at its net cash value or by another financial instrument. Accordingly, in 2020, the subsidiary started to fully recognize the purchased and sold energy curves in its portfolio (at the sale limit) – "future commitments" and measured at fair value by using the forward curve with the best available and observable information; the impacts of this migration are recorded and disclosed in Note 15.

3.4 Use of estimates and judgment

In the preparation of individual and consolidated financial statements in accordance with Brazilian accounting practices and international accounting practices, it is required by the Management of the Company and its subsidiaries to make estimated to record certain transactions that affect assets, liabilities, income and expenses.

The final results of these transactions and information, at the time of their effective realization in subsequent years, may differ from these estimates, due to the lack of precision inherent to the process of their determination. The Company and its subsidiaries review the estimates and assumptions at least quarterly, except for the Post-employment benefit plan which is reviewed on a 6-month basis and yearly for impairment losses described in Note 3.7.

The main estimates that represent significant risk likely to cause substantial adjustments to the set of financial statements, in the next years, refer to the recording of the effects arising of: Analysis of asset impairment test (Note 3.7); Unbilled supply (Note 7); Transactions realized in the in the sphere of the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) (Note 7); Estimated loss from allowance for doubtful accounts - PECLD (Note 7.7); Sectoral financial assets and liabilities (Note 8); Recovery of deferred income tax and social contribution on tax loss carryforward, negative basis and temporary differences (Note 10); Future commitments (Note 15); Concession assets (Note 20); Indemnifiable financial assets (Note 21); Evaluation of the useful life of Property, plant and equipment and Intangible asset (Notes 22 and 23); Post-employment benefit plans (Note 27); Provisions for contingencies (Note 31.1); Provisions necessary for costs related to environmental permits (Note 31.2); and Measurement at fair value of financial instruments (Note 38.1.2).

3.5 Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Brazilian real and the individual and consolidated financial statements are presented in Brazilian Reais, rounded to the nearest whole number, unless otherwise indicated.

3.6 Consolidated financial statements

The consolidated financial statements were prepared in accordance with the standards established by CPC 36 (R3) - Consolidated statements approved by the CVM Resolution 698/12 covering the Company and its subsidiaries (Note 18).

Direct and indirect subsidiaries are consolidated from their acquisition dates, which correspond to the dates on which the Company obtained control, and they will be consolidated until the date on which this control ceases.

The main consolidation practices had been adopted were as follow:

• Elimination of the investment of the Parent company in its subsidiaries.

• Elimination of the balances of accounts between the Parent Company and its subsidiaries and of the accounts maintained among these subsidiaries.

• Recognition of non-controlling shareholders in the balance sheets and in the statements of income and statements of comprehensive income.

• Business combinations are considered at the time of acquisition of control of a business, and the amounts recognized are measured at fair value based on appraisal reports prepared by independent appraisers.

• Consolidation of entities with an investment lower than 50%: the Company is the indirect parent company of Investco, with an interest of 40.78% that is due to the direct control of Lajeado with 55.86%, which in turn, holds 73% of the voting capital, guaranteeing the power of Investco activities, and its total consolidation in financial statements;

• Associated company with significant influence: the Company holds a stake of 29.90% in the total capital and 33.11% of the voting rights of CELESC. The Company has 3 seats on the Board of Directors and 1 seat on the Tax Council (Note 19.2).

• The dates of financial statements of the subsidiaries and jointly-controlled subsidiaries used to calculate the equity accounting and for consolidation are consistent with those of the Company. With regard to the associated company CELESC, corporation with shares traded at B3 and pursuant to CVM standards, the calculation of equity in the earnings of associates uses the financial statements with a lag in relation to the base date presented, since the Company's financial statements' reporting calendar precedes the Associated Company's financial reporting calendar.

• Shared control agreements: the Company holds 50% of the voting rights in projects, Pecém TM, Pecém OM, CEJA and Cachoeira Caldeirão and 33.334% in São Manoel. The Company holds joint control of those projects because, pursuant to the terms of the arrangements, decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company's joint arrangements are structured as closed companies and, pursuant to the terms of the arrangements, the Company and the other parties to the arrangements are granted rights to these closed corporations' net assets. For this reason, these arrangements are classified as joint ventures and are not consolidated in the financial statements.

3.7 Impairment

The Management of the Company and its subsidiaries reviews the book value, net of its assets to determine events or changes under economic, operating or technological circumstances if there is any indication that those assets have suffered any impairment loss. If there is such indication, the asset recoverable value is estimated for the purpose of measuring the amount of this loss, and recognized as a counterparty for income (loss).

Previously recognized impairment loss can be reversed in case of change in assumptions used to determine the asset's recoverable value, and losses are also recognized in result.

• **Financial assets and contractual assets**

They are evaluated at initial recognition based on study of expected losses and when there are evidences of impairment. Assets are considered non-recoverable when there is evidence that one or more events occurred after the initial recognition of the asset that resulted in adverse effects on the estimated future cash flow from the investment. The line item that currently presents relevant PECLD (estimated loss from bad debts) balances is that of Accounts receivable. For further information about the criteria and assumptions used in the numerical estimates, please see note 7.7.

• **Non-financial assets**

Company's non-financial assets are at least reviewed manually, or more often in case the Management of the Company and its subsidiaries identifies whether there were any indications of unrecoverable losses in the book value of non-financial assets, or evidence of the occurrence of events or alterations in the circumstances indicating that the book value might not be recoverable.

The recoverable value is determined based on the assets' value in use and are calculated using evaluation methodologies, backed by discounted cash flow techniques, considering market conditions, time value, and business risks.

Moreover, in relation to the aforementioned, the Company's Management analyzed the risk of going concern for all its investments, considering mainly the financial and economic balance clauses of the distribution subsidiaries, the guarantee of transmission companies' income, the protection against reduction due to Force Majeure of the generation's regulated contracts, as well as the legal actions that have been taken by the Federal Government and ANEEL, thus concluding for the security of going concern of the Company and its subsidiaries.

3.7.1 Impairment test - Non-financial assets

The Company and its subsidiaries evaluated the evidence of non-financial asset devaluation based on their value in use, based on the discounted cash flow model for individual cash generating unit, which represents the set.

Under this basis, for test effects, a set of assumptions was defined to determine the recoverable value of the main investments:

• The cash generating units are: EDP São Paulo, EDP Espírito Santo, Energest, EDP Comercializadora, EDP Soluções, Enerpeixe, Lajeado, Investco, CEJA, Cachoeira Caldeirão, São Manoel and Porto do Pecém;

• Basis to determine recoverable amount: value in use - equity value;

• Determination of cash flows: production and consumption volume and estimated tariffs and residual value at the end of the concession, calculated based on the new replacement value (VNR);

• Cash flow period: concession period considering the renewal, when applicable, except EDP Comercializadora and EDP Soluções (10 years); and

• Average BRR restatement rate (Distributors), energy sale agreements (generation companies) and operating costs: IGP-M (3.72% p.a.) and IPCA (3.27% p.a.) assumption

In the year ended on December 31, 2020, after carrying out the analysis of non-financial asset impairment test indicators, the Management carried out the impairment test for jointly-controlled subsidiaries São Manoel and Cachoeira Caldeirão, besides EDP GRID, related to goodwill, in which concluded that the net book value recorded for the assets is recoverable and, consequently, there was no need to record the provision for impairment.

For the jointly-controlled subsidiary São Manoel, in 2019, the Company reversed part of the non-recoverable amount recorded in 2016 (Note 19.1).

3.8 New effective and not effective standards and interpretations

Maintaining the permanent process of reviewing accounting standards, the International Accounting Standards Board (IASB) and, consequently, Accounting Pronouncement Committee (CPC), issued new standards and reviews to existing standards. The main regulations issued, amended or under discussion by the IASB and the CPC are shown below:

3.8.1 Changes in accounting pronouncements approved by the CPC

Standard	Description of change	IASB Correlation	Type	Effectiveness date
CPC 00 (R2) - Conceptual Framework for Financial Reporting (Conceptual Framework)	Introduces new concepts about presentation, measurement, and dissemination	*Conceptual Framework*	Conceptual Structure	10/12/2019
CPC 15 - Business combination	Establishes new requirements to determine whether a transaction should be recognized as a business acquisition or an asset acquisition	IFRS 3	Pronouncement	01/01/2020
CPC 48 - Financial instruments; CPC 40 - Financial instruments – Evidencing; and CPC 38 - Financial Instruments - Recognition and Measurement	Inclusion of temporary exceptions to the current hedge accounting requirements, to neutralize the effects of uncertainties caused by the reform of the reference interest rate (IBOR)	IFRS 9 / IFRS 7 and IAS 39	Pronouncement	01/01/2020
CPC 26 - Presentation of financial statements; and CPC 23 - Accounting policies, changes in accounting estimates and errors	Modifies the definition of "material", establishing that information is material if its omission, misstatement or concealment might reasonably influence the decision making of users of the financial statements	IAS 1 and IAS 8	Pronouncement	01/01/2020
CPC 06 (R2) - Leases	Requirements for the purpose of making it easier for lessees to account for any concessions obtained in lease agreements because of COVID-19, such as pardon, suspension, or even temporary reductions in lease payments	IFRS 16	Pronouncement	01/01/2020
OCPC 09 – Integrated reporting	Improving the quality of information available to investors and other stakeholders; promoting a more cohesive and efficient approach to corporate reporting; and, among others.	N/A	Guidance	01/01/2021

3.8.2 Standards issued by the IASB and not yet approved by the CPC

Standard	Description of change	IASB Correlation	Type	Effectiveness date
CPC 48 - Financial Instruments, CPC 08 - Costs of Transactions and Premiums in Issuing Securities; CPC 40 - Financial instruments: Evidencing; CPC 11 - Insurance Contracts; and CPC 06 (R2) - Leases	Addition of new disclosure requirements on the effects brought on by the reform of the reference interest rate (IBOR)	IFRS 9 / IAS 39 / IFRS 7 / IFRS 4 and IFRS 16	Pronouncement	01/01/2021
CPC 25: Provisions, contingent liabilities and assets	Specification of which costs a company should include when assessing whether a contract is onerous. The costs directly related to the fulfillment of the contract must be considered in the cash flow assumptions (e.g.: Cost of labor, materials and other expenditures related to the operation of the contract)	IAS 37	Pronouncement	01/01/2022
CPC 27 - Property, plant and equipment	Permits recognition of income and costs of the amounts related to the sale of items produced during the asset's testing phase	IAS 16	Pronouncement	01/01/2022
CPC 50 – Insurance Contracts	Sets out a base for users of the financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance, and cash flows	IFRS 17	Pronouncement	N/A

The changes that went into effect on January 01, 2020 did not have a material impact on these financial statements. Regarding the regulations under discussion at the IASB or with a date for entering into effect scheduled for future years, the Company and its subsidiaries are following the discussions and thus far have not identified the possibility of significant impacts.

3.8.3 Transmission Companies - SEP Circular-Letter 01/2020

On February 05, 2020, the Brazilian Securities and Exchange Commission issued the Circular Letter /CVM/SNC/SEP 01/2020 to provide guidance on relevant aspects to be complied with in the preparation of financial statements for the year ended December 31, 2019. One of the themes incorporated was related to the initial adoption of CPC 47 and CPC 48 for the assets of electricity transmission concessionaires. Therein, the regulatory agency mentions that in 2018 there was inadequate and incomprehensible information regarding the initial adoption of these standards for a good part of the companies in the sector, showing the need for possible better disclosure and openness of the adjustments and regulatory rationale that underpinned the initial implementation. However, Management of the transmission subsidiaries understands and attests that the information published in 2018 already complies with the required information, since the nature and amounts of each effect of the adoption of the referred standards was evidenced, as well as the consequent change of accounting practice, both for balance sheet balances and in the disclosure of their counterparts. Likewise, as required by the same Circular Letter, Management of the transmission subsidiaries also attests that the effects recorded and disclosed are totally separate from adjustments of any other nature, except for those actually arising from the initial adoption of CPC 47 and CPC 48 at the transmission subsidiaries, and consequently a change in their accounting practices.

3.8.4 Transmission Companies - SEP Circular-Letter 04/2020

On December 01, 2020, the Brazilian Securities and Exchange Commission issued the Circular Letter /CVM/SNC/SEP 04/2020 to provide guidance on relevant aspects to be complied with CPC 47 and CPC 48 in the preparation of financial statements for the year ended December 31, 2020.

The topics of the Official Letter — regarding the assets of the electricity transmission concessionaires (for the purpose of clarification) — were segregated by the regulatory agency into the following areas: (i) Adoption of CPC 47 and 48; (ii) Rate of remuneration of the contracts; (iii) Treatment of the Variable Portion – Variable Consideration; (iv) RBSE assets; (v) Geography of Financial Income in the Income Statement; (vi) Disclosure in Notes to the Financial Statements; and (vii) Initial Adoption of the terms of this Official letter – Transitional Provisions.

Management at the transmission subsidiaries carried out a robust analysis on all items and concluded the following:

(i) Adoption of CPC 47 and CPC 48 – Segregation between Contract Assets and Financial Assets: The triggering event for the derecognition of the contract asset and recognition of the financial asset is maintained with the issuance of the "AVC" (Credit Notice) to the transmission concessionaires (unconditional right to the cash), issued monthly by the ONS;

(ii) Rate of remuneration of the contracts: The contractual remuneration is made at the implicit remaining rate of the asset, after the allocation of the concession's construction and O&M margins. The estimates must be in line with the market standard, and construction and O&M margins must be estimated by forecasting all events and efficiencies. However, changes in the construction project that directly affect profitability must be recognized directly in Income (cost), in a timely manner;

(iii) Treatment of the Variable Portion – Variable Consideration: Upon initial measurement of the contract, the best estimate for the occurrence of a Variable Installment should be made, for the purpose of determining the rate of remuneration of the contracts; it is also recommended for this estimate to be made subsequently in assets and revenue in separate and specific items, both on the balance sheet and in income; Furthermore, when there are historical series of occurrence of the variable installments, or when Management considers that it has other information capable of producing reliable estimates, these variable installments should be considered in determining the construction and O&M margins. Any differences between the estimates and the variable installments charged should be recognized in the income at the time they occur. Finally, if the estimates cannot be made due to the reasons mentioned in the previous paragraph, the variable installments must be recognized in the income when they actually occur;

(iv) RBSE (Basic Grid for Existing System) asset: item not applicable to transmission subsidiaries;

(v) Geography of Financial Income in the Statement of Income: Optional for the Company, to classify the contractual remuneration in operating income or financial income, based on the accounting policy and Management's understanding of the Company's core business; even if everything is in operational, the Company must segregate all income as (a) construction, (b) operation and maintenance; and (c) financing of the operating infrastructure. The Company believes that the remuneration of the Concession Asset is an intrinsic part of the operating activity, and therefore classifies such income in Operating Income;

(vi) Disclosure in Notes to the financial Statements: Disclose margins of the construction and improvement performance obligation, the operation and maintenance performance obligation, as well as the criteria and methodology used for the estimates made; disclose rates for each project, or per family of projects; and other information can also be provided in a Note to the Financial Statements;

(vii) Initial Adoption of the terms of this Official Letter – Transitional Provisions: Apply the requirements of the aforementioned Official Letter to the Financial Statements ended on December 31, 2020 by the retrospective method, with the cumulative effect recognized as an adjustment of previous years in the opening balance of retained earnings.

Considering the foregoing details, Company's Management reevaluated the income allocation model arising from its concession agreement, reviewing all the assumptions, and concluded that the impacts of applying the Official Letter are immaterial for other retrospective disclosures.

4 Significant events in the year

4.1 Release of funds and funding

During 2020, subsidiaries and jointly-controlled subsidiaries raised funds as follows:

Consolidated						
Company	**Source**	**Release date**	**Maturity**	**Amount**	**Debt cost**	**Purpose**
EDP Espírito Santo	Bill of Exchange - MFUG	fev/20	fev/21	200.000	CDI + 0.10% p.a.	Working capital
	Promissory Note - 1st Issue	abr/20	abr/21	150.000	CDI + 2.5% p.a.	
	Debentures – 9th issue	abr/20	abr/21	150.000	CDI + 2.5% p.a.	
EDP Transmissão MA I	Bill of Exchange	jan/20	jan/39	55.812	IPCA = 2.5707%	Investment in the Lot 11 Project
	BNB - Banco do Nordeste do Brasil S.A. - 3rd release	ago/20	jan/39	41.897	IPCA + 2.5707%	
EDP São Paulo	Promissory Note - 6th issue	abr/20	mar/21	350.000	CDI + 3.0% p.a.	Working capital
	Promissory Note - 7th issue	abr/20	abr/21	120.000	CDI + 3.0% p.a.	
Enerpeixe	1st Issue of Promissory Notes	abr/20	mar/21	170.000	CDI + 3.00%	Working Capital
Energest	1st Issue of Promissory Notes	mai/20	mai/22	100.000	CDI + 2.75%	Working capital
EDP Transmissão MA I	Banco do Nordeste do Brasil	jun/20	jul/43	82.976	IPCA + 2.2809%	Investment in the Lot 07 Project
	Banco do Nordeste do Brasil	jun/20	jul/43	81.818	IPCA + 2.7877%	
EDP Transmissão SP-MG	Bill of Exchange - MFUG	jun/20	jun/21	100.000	CDI + 1.85%	Investment in the Lot 18 Project
EDP Transmissão MA I	BNB - Banco do Nordeste do Brasil S.A.- 4th release	nov/20	jan/39	3.500	IPCA + 2.5707%	Investment in the Lot 11 Project
EDP Transmissão MA I	BNB - Banco do Nordeste do Brasil S.A. - 2nd release	dez/20	jul/43	6.568	IPCA + 2.7877%	Investment in the Lot 07 Project
		dez/20	jul/43	6.432	IPCA + 2.2809%	
EDP Transmissão SP-MG	4131 - SWAP	dez/20	dez/21	300.000	CDI + 0.45%	Investment in the Lot 18 Project
				1.919.003		

4.2 EDP Energias do Brasil - Additional acquisition of CELESC's preferred shares

Between June and September 2020, the Company acquired preferred shares in the associated company CELESC. In aggregate, 1,753,200 preferred shares were acquired for an average price of R$ 53.98 each, totaling R$ 94,644. Thus, the Company started to hold 6,390,720 preferred shares, plus 5,140,868 common shares, totaling 11,531,588 shares, which together represent 29.90% of CELESC's total capital.

4.3 EDP Energias do Brasil - ESG Agenda

• In recognition of the ongoing search for reconciliation between operational excellence of the best environmental practices and operational safety, in June 2020, two hydroelectric power plants of Grupo EDP - Energias do Brasil Peixe Angical (Enerpeixe) e Lajeado (Lajeado) — were named the best hydroelectric power plants in Brazil by the National Agency of Electricity (ANEEL), accompanied by the UHE Mascarenhas (Energest), which is also among the top 10 in the nation.

• In June 2020, the Company submitted to the United Nations (UN) a commitment to reduce its emissions to ensure that global warming does not exceed 1.5 °C. for this reason, the Company is committed to ensuring that 100% of the energy it generates comes from renewable sources by the year 2030. The Company also joined "Recover Better", a global initiative that proposes governments and companies around the world to align their recovery and economic aid efforts related to the COVID-19 crisis, based on the latest climate studies.

• Concerning the environmental issue, in September 2020 the Company assumed the Brazilian Business Commitment to Biodiversity, proposed by the Brazilian Business Council for Sustainable Development (CEBDS), which aims to emphasize the importance of biodiversity and ecosystem services for companies.

• In line with the highest standards of corporate governance, in 2020 the Company won the Transparency Trophy for the 7th time, in recognition for the quality of its financial statements. The award, given by the National Association of Finance, Administration and Accounting Executives (ANEFAC), honors organizations with the best accounting practices. Among the evaluation criteria are: the quality and degree of the information contained in the financial statements and respective notes, the transparency of the information provided, the quality and consistency of the management report, and adherence to accounting principles, in the year preceding the award.

4.4 EDP Transmissão MA II - Start-up of the business operations

On August 11, 2020, the Company issued a Release to the Market informing that, on August 2, 2020, the term of release for the commercial operation for the final stretch of the transmission line of EDP Transmissão MA II was requested from the ONS. Start-up is 12 months ahead of ANEEL'S schedule.

The first section of the transmission line and the Chapadinha II substation owned by EDP Transmissão MA II entered into commercial operation on January 04, 2020, 19 months ahead of the ANEEL schedule and 14 months ahead of the assumption adopted by the Company in the auction.

With the conclusion of the operation, the Partial Annual Permitted Revenue (RAP) is now R$ 32.8 million, resulting in an anticipated revenue of approximately R$ 42.7 million. The project has leverage of approximately 70% of the total CAPEX, through the Financing Agreement with Banco do Nordeste do Brasil S.A. (BNB), which together with the amounts mentioned above, surpass the return and NPV metrics established in the auction.

4.5 Annual Tariff Adjustment

4.5.1 EDP Espírito Santo

As at August 06, 2020, by means of Ratifying Resolution 2.749, ANEEL ratified the result the Annual Tariff Review applied by EDP Espírito Santo as from August 07, 2020.

The average effect perceived by consumers was 8.02%, whereas the average effect for high and medium voltage consumers was 10.32% while that for low voltage consumers was 7.05%.

During the Tariff Readjustment process, ANEEL adjusts the regulatory costs that can be managed by the distributor (Parcel B), while the not manageable costs (Parcel A) and the financial items are adjusted based on the price change noted in the prior ten months and projection for the subsequent twelve months. Parcel "B" was adjusted at 2.55% in relation to Parcel B approved in 2019, resulting in a restated balance of R$1,003,844. IGP-M considered for tariff period was +9.27% and X factor was -0.14%. X Factor is comprised of installments "Pd" (productivity gains) of 1.12%, "T" (trajectory to adaptation of operating costs) of -1.05% and "Q" (incentive to quality) of -0.21%.

The adjustment of financial items recognized by ANEEL in this proceeding amounted to R$ 136,528 and referred to: (i) the differences between the unmanageable costs (energy, transport, and charges) approved; (ii) those effectively incurred by the Company in the 2019–2020 tariff period; and (iii) return of tax credits approved by the Brazilian Federal Revenue Service (Note 9.3.1.2).

The reversal of R$ 219,423 (Note 4.8.1.9) as a negative financial component referred to resources related to Decree 10350 of May 18, 2020, which regulated the creation of the Covid-Account destined to the electric sector to face the state of public calamity related to COVID-19.

4.5.2 EDP São Paulo

As of October 20, 2020, the subsidiary EDP São Paulo communicated to the market that ANEEL, at an ordinary public meeting of its executive board held on that date, approved the annual tariff adjustment, applied as of October 23, 2020.

The average effect perceived by consumers was 4.82%, whereas the average effect for high and medium voltage consumers was 6.52% while that for low voltage consumers was 3.92%.

During the Tariff Readjustment process, ANEEL adjusts the regulatory costs that can be managed by the distributor (Parcel B), while the not manageable costs (Parcel A) and the financial items are adjusted based on the price change noted in the prior ten months and projection for the subsequent twelve months. Parcel "B" was adjusted at 21%, resulting in a restated balance of R$1,197,947, in relation to Parcel B approved in 2019. IGP-M calculated for tariff period is 17.94% and X factor is 0.55%. X Factor is comprised of installments "Pd" (productivity gains) of 0.96%, "T" (trajectory to adaptation of operating costs) of -0.00% and "Q" (incentive to quality) of -0.41%.

Financial item adjustment recognized by ANEEL in this process amounted to -R$ 111,427 referred to not manageable costs (energy, transportation and charges) approved and those effectively incurred by EDP Espírito Santo in the tariff period from 2019 to 2020 as established by financial items.

The reversal of R$ 355.81 million (Note 4.8.1.9) as a negative financial component referred to resources related to Decree 10350 of May 18, 2020, monetarily restated, which regulated the creation of the Covid-Account destined to the electric sector to face the state of public calamity related to COVID-19.

4.6 Enerpeixe, Energest and Lajeado – Adherence to ANEEL Resolution 895/2020 – Rules for hydrological renegotiation

Adherence to the precepts of ANEEL Resolution 895/2020 was approved at the meeting of the Board of Directors held on December 22, 2020; this resolution regulates the new conditions for the renegotiation of the hydrological risk of electricity generation (Note 23.1.3.1).

The transaction is subject to the verification of certain precedent conditions usual in this type of transaction, in addition to other measures of a corporate and contractual nature necessary for its conclusion, which is expected to occur during 2021.

4.7 EDP Ventures - Signing of the Investment Agreement in Blue Sol Participações S.A.

On December 28, 2020, the Company issued a Release to the Market informing that on December 23, 2020 it signed — through its subsidiary EDP Ventures — an Investment Agreement in Blue Sol Participações S.A. ("Blue Sol"), holder of the companies Blue Sol Energia Solar LTDA., Blue Sol Franquia LTDA., and Blue Sol Educacional LTDA., with the aim of acquiring a minority interest of up to 40% of the voting capital of Blue Sol and the option of acquiring its control after three and a half years from the conclusion of the operation.

4.8 COVID-19 (new Coronavirus pandemic)

On March 11, 2020, the World Health Organization (WHO) declared the world is in a new Coronavirus (COVID-19) pandemic. Such disease is caused by the SARS-CoV-2 coronavirus. The uncertainties generated by the spread of COVID-19 caused intense volatility in the global financial and capital markets.

4.8.1 Governmental assistance measures

4.8.1.1 ANEEL Normative Resolution 878

On March 24, 2020, Normative Resolution 878 was published by ANEEL, with measures aimed at establishing the preservation of the provision of the public electricity distribution service as a result of COVID-19. Its main purpose is to prohibit the suspension of supply due to defaulting consumer units related to services and activities considered essential, according to Decrees 10282 and 10288, of 2020 and art. 11 of Normative Resolution 414/2010, where there are people using equipment with limited autonomy, vital to the preservation of human life and dependent on electricity, as well as rural and low-income residential classes (Note 4.8.3.1.1).

On June 15, 2020, ANEEL – through Normative Resolution 886 – extended the provisions of Normative Resolution 878 through July 31, 2020.

On July 21, 2020, ANEEL approved the revision of Normative Resolution 878/2020, with new rules starting August 01, 2020: (i) several activities to provide services to the consumer must be resumed by the distributors; (ii) maintain the prohibition of power shut-offs due to non-payment of electricity bill, for consumers classified as Low Income, for the duration of the state of emergency related to the pandemic; and (iii) the possibility of power shut-offs due to non-payment for residential consumers and services and activities considered essential is once again allowed, whereby the distributor must send the consumer a new notification on the existence of pending payments, even if it has already sent such notice in a previous period regarding the same debt.

4.8.1.2 Standstill - BNDES emergency measure

In March 2020, the BNDES approved, on an emergency basis, immediate socioeconomic measures to help mitigating the effects of COVID-19 in Brazil. One of the measures was the possibility of granting the temporary suspension of amortization of loans contracted with BNDES in the direct and indirect modalities for a period of up to six months for the companies affected by the crisis - a measure known in the market as standstill. On April 13, 2020, the BNDES granted authorization for the temporary suspension of payment for BNDES financing from EDP São Paulo and EDP Espírito Santo, from April to September 2020. In October 2020, payments again started being made by distributors.

4.8.1.3 Ordinances No. 139 and 245

The respective ordinances, dated April 3 and June 15, 2020, extended the deadline for the payment of federal taxes and employers' social security contributions due by companies and by the domestic employer as a result of COVID-19. The payment deadlines for PIS, COFINS and Employers' Social Security Contribution (INSS) related to the months of March, April and May 2020 were also postponed to July, September and October 2020, respectively.

4.8.1.4 Provisional Measure No. 950

On April 8, 2020, Provisional Measure No. 950 was signed, providing for the temporary emergency measures for the electricity sector to address the state of public calamity recognized by Legislative Decree No. 6, dated March 20, 2020, as well as the health emergency of international importance resulting from COVID-19. Said legislation provides for, in the calculation of the Electricity Social Tariff, created by Law No. 10,438, dated April 26, 2002, a 100% discount in the period from April 1 to June 30, 2020 for consumers included in the Low Income Residential Subclass, related to the portion of electricity consumption lower than or equal to 220kWh/month. Establishes, as an objective of the Energy Development Account (CDE), the provision of resources, exclusively through a tariff charge, and aiming to allow the amortization of financial operations linked to measures to address the impacts of COVID-19 in the electricity sector resulting from the state of public calamity, recognized as provided for in article 65 of Complementary Law No. 101, of 2000, to serve electricity distributors. It also authorizes the Federal Government to allocate resources to the CDE, limited to R$900,000, to cover the created tariff discounts, related to the electricity supply tariff for the final consumers belonging to the Low Income Residential Subclass.

The distributors EDP São Paulo and EDP Espírito Santo were reimbursed for discounted tariffs (i.e. electricity rates) under the "Social Electricity Tariff" applied during the period during which the Provisional Measure was in effect, in the average monthly amount of R$ 7,318 and R$ 7,000, respectively,

4.8.1.5 ANEEL Order 986

ANEEL Order 986 of April 8, 2020 required the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) to transfer to the consumption-holding agents the amount of R$ 2.022 billion, related to the financial resources available in the reserve fund for future relief of charges. This action aims to reinforce the electricity sector's liquidity amid the COVID-19 scenario. Accordingly, the subsidiaries EDP São Paulo and EDP Espírito Santo received the amounts of R$39,694 and R$32,099, respectively.

4.8.1.6 ICMS Agreement 42

On April 16, 2020, ICMS Agreement No. 42 was signed, authorizing the States during the period of the public health emergency resulting from the COVID-19 pandemic to grant ICMS tax exemption on the portion of the electricity tariff subsidy, pursuant to Law No. 10,604, dated December 17, 2002, and Law 12,212, dated January 20, 2010, according to the wording of Provisional Measure No. 950, dated April 8, 2020. In this sense, the States are authorized to grant ICMS tax exemption to the portion of the subsidy of the electric energy tariff in the period from April 1 to June 30, 2020, regarding the respective supply to consumers classified in the "Low Income Residential Subclass", according to the wording of Provisional Measure No. 950, dated April 8, 2020, and to the conditions provided for in ANEEL Resolutions, specifically Resolution No. 414, dated September 9, 2010. At EDP Espírito Santo, Decree No. 4633- R, dated April 16, 2020, published by the State of Espírito Santo, ratified the negotiations established by the Agreement. At EDP São Paulo, the São Paulo State Government published Decree 64.968 on May 8, 2020, granting the exemption for May and June 2020.

4.8.1.7 ANEEL Order 1106

ANEEL Order No. 1,106, dated April 20, 2020, provided for that the RAP Adjustment Portion for the 2020/2021 transmission tariff cycle should be brought forward in the form of a discount on the payment of Transmission System Use Charges (EUST) for consumers and distributors accessing the Basic Network for the period from April to June 2020. According to ANEEL estimates, there was a collection surplus in the Basic Network for the period from June 2019 to June 2020, of around R$500,000, which would later form in the Adjustment Portion of the Transmission Tariffs for the 2020/2021 cycle. However, ANEEL decided to anticipate such amounts, with a monthly average rebate of R$4,333 at EDP São Paulo and R$4,207 at EDP Espírito Santo in the aforementioned three-month period.

4.8.1.8 ANEEL Orders 1511 and 3363

On May 26, 2020, ANEEL decided to keep the "green flag" active until December 31, 2020, through Order 1511. This is an emergency measure by the Agency to alleviate electricity bills for consumers and assist the electricity sector amid the scenario of the COVID-19 pandemic. According to analysis by ANEEL technicians, who also took into account the contributions to the public consultation, the load reduction scenario and the outlooks for electricity generation will make it possible to activate the "green flag" in the coming months. In addition, the costs covered by the Tariff "Flags" were included in the Covid-Account (Note 4.8.1.9), in order to alleviate the impacts of the current crisis in the electricity sector. Order 1511 was repealed, and the "Level-2 Red" tariff flag was set, through Order 3363 on November 30, 2020, remaining in effect throughout December 2020.

4.8.1.9 ANEEL Normative Resolution 885

On June 23, 2020, ANEEL Normative Resolution 885 approved the regulation of Decree 10.350/2020 of the COVID-Account. The account was created by Provisional Measure No. 950/20, with the objective of providing financial liquidity to the sector and relieving consumers of tariff (i.e. electricity rate) impacts in 2020. The dynamics of this account are based on anticipating sectorial assets constituted by the companies and that would already be passed on to consumers' tariffs in ordinary processes. In this way, the operation ensured the transfer of these sectorial assets to the distributors, allowing the financial fluidity of the electricity sector chain to be maintained, in such a way that, at the same time, avoided high tariff impacts on consumers in the 2020 tariff processes, the Covid-Account costs of which are expected to be diluted within 54 months. The total resources available for the operation was up to R$ 16.2 billion.

On July 3, 2020, the Company issued a Release to the Market informing that, at meeting of the Board of Directors held on that date, it was decided to adhere to the Term of Acceptance of Normative Resolution 885/2020, referring to Decree 10.320/2020. The total amount required was R$ 573,711, of which R$ 354,288 refers to EDP São Paulo and R$ 219,423 to EDP Espirito Santo, referring to the Regulatory Assets of Parcel A, and the reference of receipt limits calculated by ANEEL is the market and default items.

Covid-account funds were transferred to distributors through a financial operation under the coordination of Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE), on July 31, 2020 (Note 8.1). The amounts aforementioned were incorporated as a negative financial component on the basis of the Annual Tariff Readjustment, the contribution of which, so as to mitigate the effect for consumers, was -6.64% at EDP Espírito Santo (Note 4.5.1) and -8.50% at EDP São Paulo (Note 4.5.2).

4.8.2 Stages of Company activity - "3 Rs" strategy

Over the course of 2020, the Company acted in a timely manner, following a strategy that has been contemplating three phases, to mitigate the impacts of the pandemic.

4.8.2.1 React

Management of the Company and its subsidiaries has been taking actions to ensure the safety of its employees. The implementation of these actions is in line with the guidelines of the World Health Organization (WHO), Brazil's Ministry of Health, and official health entities in the different countries where the Group operates.

The Company's Management created a Crisis Management Committee with professionals from different areas, which implemented strict measures for employees' prevention and protection, including the following: (i) administrative office staff members on a work-from-home routine; (ii) electricians who work in the field have been decentralized at various operational bases throughout EDP's concession area in São Paulo and Espírito Santo, and carry out different schedules, in addition to meetings and guidance via remote channels; (iii) distribution of masks for all employees; (iv) all employees received early vaccination against H1N1 flu; and (v) all international trips have been canceled, and domestic trips reduced to the minimum necessary.

In-house communications were focused on the urgency of the topic to bring reliable information to employees, creating the "Coronavirus Newsletter" aimed at sharing changes at the Company, the necessary safety adjustments, preventive measures, and primarily disseminating content, tips, videos, actions and testimonials from employees aimed at everyone's good health. Additionally, infected employees are monitored with all outpatient support provided by the Company.

The Company's in-person service agencies reopened as of August 3, 2020. This measure sought to avoid the crowding of people and prevent the spread of COVID-19. During the period that branches were closed, all services and requests were performed quickly and securely via the internet, the "EDP Online" app, or through the Customer Service Hotline (SAC).

Grupo EDP – Energias do Brasil – committed to its employees, customers and the population – continuously follows the evolution of the scenario regarding COVID-19 and is at the forefront of several social initiatives, such as: (i) donation of R$ 6 million to the Comunitas social organization for the purchase of hospital respirators – essential equipment for the survival and recovery of critically ill COVID-19 patients – in São Paulo; (ii) allocation of R$ 2.6 million of its own resources, alongside EDP Renováveis, to support initiatives aimed at tackling COVID-19 in needy communities throughout Brazil; (iii) donation of R$ 1 million to the state of Espírito Santo, for the purchase of individual protection supplies, equipment and medicines for the Santa Casa de Misericórdia hospital in Cachoeiro do Itapemirim; and (iv) donation of R$ 130,000 in hospital supplies to the Ceará State Health Department.

The primary aim of all these measures is to ensure the safety of employees and the entire population as well as to guarantee the quality and continuity of energy supply, which is essential in a time of crisis.

4.8.2.2 Recovery

Company Management initiated a Results Recovery Plan, comprising more than 50 initiatives aimed at fully recovering the impact of the pandemic on its economic and financial performance for 2020, to maintain the resilience of its bottom-line and operational efficiency, such as: reformulation of the "Zero-Base Budget", the aim of which is to bring efficiency to the corporate center, in the ambit of processes, technology and people; and PMSO (People, Materials, Services and Other expenditures) initiatives, such as reduction of overtime, reprioritization of travel, reduction in rentals, and reassessment of marketing and consultancy expenses.

4.8.2.3 Reshape

Company Management created the Opportunities Committee, in which seven areas were defined for updating, to find new business opportunities, such as:

(i) Growth: Opportunities for M&A (Mergers and Acquisitions) in the transmission, distribution, and services markets.

(ii) Clients: satisfaction and better service for the convenience of customers, by renewing infrastructure with the inclusion of new technologies.

(iii) Digital: security in working-from-home; digitalization of the occupational safety process; and robotization in proactive communication with customers (in cases of power outages).

(iv) Innovation: concentration on pillars that reflect the macro-trends in the transformation of the electric sector, such as energy storage, clean energy, digital innovation, smart grids, and customer-focused solutions, as well as access to energy and innovation in in-house processes.

(v) Green recovery: aside from the commitment to reduce its emissions to ensure that global warming does not exceed 1.5 °C. and adherence to the "Recover Better" initiative (Note 4.3), the South/Southeast electric corridor was created, with 30 ultra-rapid charging stations for electric vehicles; integrated solution for electric bus companies; solar energy projects; and reduction in CO2 emissions, which consists of the transition from the power grid to clean energy, storage with batteries, energy efficiency, electrical mobility, and environmental commitments, among other initiatives (Note 38.2.7).

(vi) Diversity and inclusion: the Diversity & Inclusion Program — an ethical imperative that reaffirms the Company's human dimension — has a governance framework consisting of an Executive Committee, a National Committee, and six Affinity Groups: Gender Equality, People with Disabilities, Race, Generations, LGBTI+, and Cultures & Spiritualities. Additionally, the diversity targets set for 2020–2022 are aimed at 50% hiring of underrepresented groups in the general staff of employees, valuing intersectionality; 30% of women on the workforce, with 20% represented in leadership positions; R$ 1 million in investments in development programs for diversity groups and R$ 600,000 in investments in training programs.

(vii) Workplace reshaping (new working models): new workplace, with new workday format (working-from-home and working-in-person).

4.8.3 Impact on the financial statements

In this scenario, economic effects were also felt, that impacted and may impact the Company and its subsidiaries in the coming periods. The main impacts are highlighted below:

4.8.3.1 Distributors

4.8.3.1.1 Prohibition of suspending electric power due to default

As mentioned in Note 4.8.1.1, as of August 1, the distribution subsidiaries had part of the prohibition being resumed, and for such, the evaluation of expected losses at the Distributors, carried out before COVID-19, based on the historical behavior of the client portfolio, considering the stress classes individually, adjusted by forecasts of future economic conditions was reviewed in the period. To this end, it analyzed the Estimated Loss on Doubtful Accounts, and the assumptions considered are shown in Note 7.7.

4.8.3.1.2 Overcontracting of energy

With the pandemic scenario resulting from COVID-19, there is an exceptional reduction in the electricity distribution market for the year 2020, thereby causing an over-contracting of the contracted energy. On May 18, 2020, by means of ANEEL Decree 10.350, this over-contracting was considered to be an involuntary contractual exposure of electricity distributors, leaving ANEEL to define the calculation of the amount that will be considered as involuntary over-contracting.

In light of this scenario, and still in negotiations with ANEEL to determine the methodology to be applied, the Management of the subsidiaries estimates that these impacts of involuntary over-contracting due to the decrease in the load because of the pandemic could be between R$ 29,071 at EDP Espírito Santo and R$ 22,712 at EDP São Paulo. For the fiscal year, the impact is R$ 27,105 (Note 38.2.2.1).

4.8.3.2 Fair value of financial assets and liabilities

During the year, the disclosure of the Mark-to-Market (MTM) of financial assets and liabilities, which should reflect current market conditions and rates was reviewed, with no material impact, and is shown in Note 38.1.1.

4.8.3.3 Transmission Companies - Construction Schedule

The transmission subsidiaries in the construction and partial operation phase had their works shuttered due to COVID-19, aimed at protecting their own employees and third-party contractors. The work has already resumed, and there are no substantial risks that could affect the normal course of its operations. Additionally, as a result of the contingency measures, Company Management made additional efforts to protect its cash, resulting in the rationalization of investment.

In 2020, the transmission subsidiaries recognized the amount of R$ 5,533 related to reduction in Construction Income (R$ 4,906 at EDP Transmissão SP-MG, R$ 627 at EDP Transmissão Litoral Sul) whose establishment of such income results from the allocation of hours worked by the technical teams, the materials used, the measurement of the provision of third-party services and other directly allocated costs by means of input method in compliance with CPC 47 (Note 33). So far, the Management of the subsidiaries estimates that the postponement did not imply in a period longer than that schedules, as established with the regulatory agency for the lots.

4.8.3.4 Porto do Pecém - Recoverable value of coal inventory

Considering also the decrease in the expected energy load for consumption in Brazil, thermal plants tend to be less used in the year 2020, while coal purchases may accumulate in stock.

The calculation of the recoverable amount for the year has already been updated to reflect the new perspective regarding the use of the stock by the Company, with no impairment since it mainly considers the future estimate of CVU as higher than the acquisition cost. Even so, the Company contracted foreign exchange hedge for its stock (Note 38.1.3.2).

4.8.3.5 EDP São Paulo, EDP Espírito Santo, Investco and Energest - Post-employment benefits (BPE)

Company Management performed an evaluation seeking to identify the behavior of the discount rates that are the basis for calculating Post-Employment Benefits (government Treasury bonds, IPCA) in the year, and understood that there were impacts from COVID-19 on them; accordingly, the effects of the recalculation of the liability are shown in Note 27.

5 Cash and cash equivalents

	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash and banks		11.828	2.478	201.302	440.542
Interest earning bank deposits					
Bank Deposit Certificates – CDB	5.1	895.376	646.001	2.534.300	2.197.699
Investment Funds	5.2			257	369
		895.376	646.001	2.534.557	2.198.068
Total		907.204	648.479	2.735.859	2.638.610

Cash and cash equivalents include cash, bank deposits and high-liquidity short term investments, promptly convertible into a known sum of cash and subject to a low risk of change in market value, stated at a fair value corresponding to cost plus interest accrued up to the balance sheet date. Interest earning bank deposits have early redemption option of such securities, without penalties or loss of profitability.

The calculation of the fair value of financial investments, when applicable, is based on the market quotations for the instrument, or market information that permits this calculation, taking into consideration the projected future rates of similar instruments. In the case of investment funds, the fair value is reflected on the value of their quota.

Under Management's policies, investments are consolidated by investee and by credit rating in order to allow the evaluation of the concentration and credit risk exposure. That maximum exposure is also measured considering the shareholders' equity of the Financial Institution. For investment funds, there is no concentration of risk in a single management bank, since the risk is dispersed in the assets of the portfolio.

The Grupo EDP - Energias do Brasil's exposure to interest rate, credit risks and a sensitivity analysis of financial assets and liabilities are disclosed in note 38.2.

5.1 Bank Deposit Certificates – CDB

On December 31, 2020, the financial investments of the Company refer substantially to rates that vary from 100.00% to 103.5% of the Interbank Deposit Certificate (CDI) rate. Financial investments of the Consolidated are remunerated at rates that range from 90.00% to 103.50% of CDI.

5.2 Investment Funds

As of January 2018, the subsidiaries EDP São Paulo and EDP Espírito Santo established a Restricted Investment Fund called Discos Renda Fixa Fundo de Investimento Longo Prazo, managed by Itaú Unibanco S.A., in order to diversify the investment options and obtain higher efficiency and profitability with lower risk level. This investment does not meet the consolidation criteria, since these investments are not exclusive and have other participating investors.

This fund has daily liquidity and variable yield with its portfolio of assets linked to Treasury Bills – LFT, issued by the Brazilian Government, or Repurchase agreement backed by Federal Government Bonds, considered as extremely low risk and high liquidity. The fund quotas are held in custody with the administrator.

The Repurchase agreement backed by Federal Public Securities are classified as Cash Equivalents, since they have immediate liquidity with the issuer. The fund's profitability for the year was equivalent to 55.48% of CDI.

6 Securities

		Consolidated			
		Current		Non-current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Investment Funds	6.1	153.990	135.263	1.750	1.750
Total		153.990	135.263	1.750	1.750

6.1 Investment Funds

Out of the amount of R$ 153,990, R$ 153,987 are securities of the subsidiary Porto do Pecém and result from investment in investment fund belonging to the financial institution with portfolio substantially composed of LFTs with yield equivalent to 93.72% of Interbank Deposit Certificate - CDI.

7 Accounts receivable

		Consolidated													
		Current Values							Renegotiated amounts						
		Current Falling Due		Current Overdue					Renegotiated Falling Due		Renegotiation Overdue				
	Note	Up to 60 days	>60 days	Up to 90 days	91–180 days	181–360 days	>360 days	PECLD (Note 7.7)	Up to 60 days	>60 days	Up to 60 days	>60 days	PECLD (Note 7.7)	Net balance at 12/31/2020	Net balance at 12/31/2019
Current															
Consumers	7.2														
Billed supply															
Residential		280.640		259.405	36.778	70.139	273.022	(275.569)	20.762	39.096	14.189	69.104	(86.770)	700.796	610.652
Industrial		137.378		20.528	4.463	9.470	51.408	(43.011)	3.252	6.278	1.458	11.828	(5.373)	197.679	173.944
Commerce, services and other activities		168.209		51.947	7.793	27.351	93.527	(85.159)	7.615	12.116	4.079	19.335	(23.038)	283.775	263.856
Rural		49.163		20.334	4.121	7.851	27.768	(27.745)	3.218	4.773	1.257	4.126	(6.460)	88.406	91.445
Government															
Federal		7.471		1.446	18	76	209	(221)	8		95	30	(13)	9.119	10.512
State		10.351		540	60	135	395	(427)	66	22	1	61	(11)	11.193	10.511
Municipal		16.555		4.027	1.277	2.566	4.045	(812)	632	527	170	162	(83)	29.066	40.376
Public lighting		32.995		3.985	2.686	2.701	6.891		830	2.963	378	4.899	(1)	58.327	64.940
Public service		33.544		742	267	265	708	(224)	367	181	38	31	(55)	35.864	39.601
Free customers		132.203		993		8.228		(7.756)						133.668	106.205
Chargeable Services		758		1.614	368	1.533	4.486	(4.163)						4.596	4.842
Unbilled supply		389.875						(3.481)						386.394	347.034
(-) Collection under reclassification process		(11.509)												(11.509)	(17.960)
(-) Adjustment to present value	7.3													-	(28)
Other receivables	7.4	29.056		28	64	244	622	(164)						29.850	29.775
		1.276.689	-	365.589	57.895	130.559	463.081	(448.732)	36.750	65.956	21.665	109.576	(121.804)	1.957.224	1.775.705
Concessionaires															
Electricity supply	7.5	514.838		544	458	531	69	(534)	507					516.413	492.283
Short-term energy	7.6	328.739												328.739	246.432
Electricity network utilization charges		18.108		370	580	267	826							20.151	15.520
Other receivables		53.259												53.259	52.643
		914.944	-	914	1.038	798	895	(534)	507	-	-	-	-	918.562	806.878
Clients															
Energy Efficiency		3.920	25.344	736	1.334	663	3.349	(4.012)						31.334	28.274
Construction work management service		116		16										132	16
Signature management services		560	67	41	157	174	219	(550)						668	495
Expenditure to be refunded		970	7.585											8.555	5.877
Generation of steam			4.176											4.176	4.361
Other customers		1.489	35.868	8	16	68		(68)						37.381	4.329
		7.055	73.040	801	1.507	905	3.568	(4.630)	-	-	-	-	-	82.246	43.352
Total current		2.198.688	73.040	367.304	60.440	132.262	467.544	(453.896)	37.257	65.956	21.665	109.576	(121.804)	2.958.032	2.625.935

		Consolidated							
		Current Falling Due		Current Overdue	PECLD	Renegotiated Falling Due	PECLD	Net balance	Net balance
	Note	>60 days	>360 days	>360 days	(Note 7.7)	>360 days	(Note 7.7)	at 12/31/2020	at 12/31/2019
Non-current									
Consumers									
Billed supply									
Residential						18.303	(11.294)	7.009	7.960
Industrial				4.983	(3.213)	2.300	(233)	3.837	5.311
Commerce, services and other activities				18	(18)	13.320	(7.907)	5.413	4.466
Rural						2.438	(1.219)	1.219	2.139
Government									
Federal								-	1.443
Municipal						2.244		2.244	-
Public lighting						3.564		3.564	6.467
(-) Adjustment to present value	7.3					(1.213)		(1.213)	(3.605)
		-	-	5.001	(3.231)	40.956	(20.653)	22.073	24.181
Concessionaires									
Other receivables		1.029			(119)			910	909
		1.029	-	-	(119)	-	-	910	909
Clients									
Energy Efficiency			26.559					26.559	37.138
Expenditure to be refunded			23.955					23.955	30.058
Other customers			9.490					9.490	8.259
		-	60.004	-	-	-	-	60.004	75.455
Total non-current		1.029	60.004	5.001	(3.350)	40.956	(20.653)	82.987	100.545

The balance of Accounts Receivable is firstly recognized at fair value, at billed or value or to be billed, and subsequently measured at amortized cost using the method of effective interest rate, adjusted to present value, net of reductions for impairment, when applicable, including the liability tax of the Company and subsidiaries.

The balance of Consumers and Concessionaires refers mainly to: (i) The amounts billed to final consumers, distributor concessionaires and trading companies, as well as the income referring to energy supplied and not billed; (iii) the amounts receivable relating to the energy traded in the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE); and (iii) electricity network utilization charges.

7.1 Characteristics of accounts receivable

• Generation

The receipt of payments for the sale of energy made by the generation subsidiaries, with the exception of Porto do Pecém, related to bilateral agreements, occurs substantially with single maturity in the month following that of the income recognition. Agreements in the Regulated Contracting Environment are broken down into three equal installments falling due on the 15th and 25th days of the month following income recognition, and on the 5th day of the second month subsequent to recognition.

For the subsidiary Porto do Pecém, agreements are broken down into three installments, with the first installment falling due on the 10th day of the month following income recognition and the second installment on the 20th day of the subsequent month and the last one on the 10th day of the second month subsequent to recognition.

Power purchase agreements in the short-term market are settled according to Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) regulations; however, the average term for settlement is about 45 days after income recognition.

• Transmission

The Permitted Annual Revenue (RAP) remunerates the investment in Transmission Lines and the Operation and Maintenance services. The balances are fully due and initially recognized at fair value, by billed amount, and are subsequently measured at amortized cost at the effective interest rate method, adjusted at present value less recoverable value, when applicable, including respective taxes of tax liability. As required by CPC 48 - Financial Instruments, the balance of Concessionaires is analyzed in a simplified manner and an allowance for doubtful accounts - Estimated loss allowance for doubtful accounts (PELCD) is formed when necessary to cover any losses in the realization of these assets.

• Distribution

Bills issued to residential, industrial, rural and commercial consumers fall due within a minimum period of 5 working days. In the case of governmental, public lighting and utility consumers, the minimum term until the due date is 10 business days. However, the distribution subsidiaries offer consumers the option of changing the due date of the bill (6 different date options) over the course of the month.

• Sales

For the trading subsidiaries, a substantial percentage of sales occurs in bilateral agreements. Therefore, the payment terms are negotiated freely between the parties, yet most incoming payments arrive on the 6th business day subsequent to income recognition.

• Services

For the service subsidiaries, the recognition of income linked to the construction of solar power plants and to the energy efficiency services occurs throughout the construction phase of the project via the input method, and payments can be received in two different ways: (i) with advance payments in the construction phase and the outstanding balance upon delivery of the project; and (ii) in installments over a particular period established in an agreement.

In regard to steam sales and the subscription management service, income is recognized through the monthly measurements relating to the delivery of steam for the production of energy and according to the service provision, respectively, with the receipt of both scheduled around 30 days after income recognition.

7.2 Consumers

The increase shown is mainly due to the residential class, where the number of customers expanded in 2020, due primarily to the measures of social isolation, encouraged as measures to prevent COVID-19 (Note 4.8), mainly in the second half of the year, which influenced many people to stay at home, resulting in increased consumption in this class.

7.3 Adjustment to present value

The balances renegotiated are recognized at present value, considering the amount to be deducted, performing dates, settlement dates and the discount rate.

For distributors, the adjustment to present value, regulated by CPC 12, was calculated based on the average remuneration of capital, applied by ANEEL in their tariff reviews. This rate is compatible with the nature, term and risks of similar transactions at market conditions. As of December 31, 2020 and December 31, 2019, corresponding rate for EDP São Paulo and EDP Espírito Santo is 12.26% p.a., positively affecting distributors' financial result by R$ 2,392 (R$ 4,563 in 2019).

For subsidiaries EDP Soluções and EDP GRID, the adjustment to present value considers the return rate of each project, positively affecting the result for the year by R$ 4,962 (R$ 4,203 in 2019).

7.4 Other receivables - Consumers

Out of the amount on December 31, 2020 of R$ 29,850 (R$ 29,775 on December 31, 2019), R$ 27,415 (R$ 27,415 on December 31, 2019) refers to the subsidiary EDP Espírito Santo, to the balance of Emergency Capacity Charges - ECE, effective from March 2002 to January 2006, and Charge for Acquisition of Emergency Electric Power - EAEEE under litigation, effective in January and February 2004, under litigation. Considering that those amounts must be transferred on to emergency power trading company (Comercializadora Brasileira de Energia Emergencial), a liability has been recognized in the amount of R$ 31,445 (R$ 31,448 as of December 31, 2019) (Note 28), and R$ 28,553 (R$ 28,546 on December 31, 2019) for EDP Espírito Santo.

7.5 Concessionaires – Electricity supply

Out of an amount of R$ 516,413, the amount of R$ 407,867 refers to the subsidiary EDP Comercializadora, due to the adoption of measures, initiatives, and emergency resources to support its consumers and business partners. During 2020, the price of energy was volatile, and this ushered in new business opportunities with solid partners.

7.6 Concessionaires - Short-term energy

The balance is related to transactions with electric power and charges carried out within the sphere of the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). As of December 31, 2020, out of the consolidated amount of R$ 328,739 (i) R$ 110,723 (R$ 70,330 on December 31, 2019), totally refers to the subsidiary Enerpeixe, from the non-fully receipt of settlements by Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) in view of the injunctions in effect of the electricity sector agents to protect effects of GSF (Generation Scaling Factor), before February 2018. In the year ended 2020, the default rate of Chamber of (ii) R$ 150,478 (R$ 89,111 on December 31, 2019) refers to the subsidiary Porto do Pecém, pertaining to the increase in electric energy settled through the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) in relation to the same period in the previous year, for advance purchase of energy leverage for 2021, with market discount vis-à-vis Allowance for Doubtful Debts (ADD).

7.7 Estimated loss from allowance for doubtful accounts - PECLD

	Consolidated					
		Expected PECLD		Review of risk (i)		
	Balance – 12/31/2019	For the next 12 months	Throughout life	PECLD	Income (loss) from losses	Balance at December 31, 2020
Consumers						
Residential	(289.308)	(69.956)		(21.883)	7.514	(373.633)
Industrial	(48.212)	(6.895)		(797)	4.074	(51.830)
Commerce, services and other activities	(89.763)	(18.354)		(8.557)	552	(116.122)
Rural	(24.527)	(8.179)		(2.462)	(256)	(35.424)
Government	(1.594)	(197)		341	(117)	(1.567)
Public lighting	-			39	(40)	(1)
Public service	(221)	(216)		158		(279)
Free customers	(3.074)		(4.682)			(7.756)
Chargeable Services	(2.631)			(1.532)		(4.163)
Not billed	(2.676)	(1.043)	74			(3.645)
	(462.006)	(104.840)	(4.608)	(34.693)	11.727	(594.420)
Concessionaires	(812)		49	110		(653)
Clients	(3.462)		(1.158)	(10)		(4.630)
Total	(466.280)	(104.840)	(5.717)	(34.593)	11.727	(599.703)
Current	(439.076)					(575.700)
Non-current	(27.204)					(24.003)
Total	(466.280)					(599.703)

(i) The risk matrix is evaluated annually, but the study may be reevaluated if the estimated losses on doubtful accounts (PECLD, in Portuguese) behaves differently from the expected outcome.

For the subsidiaries of distribution and trading, the PECLD was recorded throughout the life of the receivable (Note 4.8.3.1.1) by applying a percentage calculated based on history of default segregated by parameters of: (i) class of consumer; (ii) tension; (iii) billing date; and (iv) maturity date. Accordingly, a matrix of risk has been prepared by period of default, adjusted by the economic expectation for the current period, obtained through the forecast of parameters of the market default index of the Central Bank of Brazil and separated by regular and irregular consumption. For the Estimated Losses from Doubtful Debts of renegotiated receivables, the percentages are applied based on the original maturities of each renegotiated document.

Based on studies prepared by the distribution subsidiaries, where the bigger impacts were identified, the percentages of expected losses segregated by class of consumption, applied upon the first recognition of receivables are as follows:

	12/31/2020											
	EDP São Paulo						EDP Espírito Santo					
	Irregular Consumption		Irregular Consumption				Irregular Consumption		Irregular Consumption			
			Active customers		Other customers				Active customers		Other customers	
	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage
Residential	1,09%	n/a	17,32%	n/a	40,50%	n/a	1,69%	n/a	13,01%	n/a	33,41%	n/a
Industrial	1,86%	0,66%	9,93%	23,68%	21,73%	25,93%	1,77%	n/a	27,28%	7,37%	24,92%	17,28%
Commerce, services and other activities	0,84%	0,46%	24,25%	n/a	15,25%	n/a	1,02%	0,46%	20,79%	n/a	21,84%	n/a
Rural	0,35%	0,03%	14,62%	n/a	41,59%	n/a	1,84%	0,01%	10,94%	n/a	23,56%	n/a
Government	n/a	n/a	n/a	n/a	n/a	n/a	0,16%	n/a	24,75%	n/a	28,12%	n/a
Public lighting	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public service	n/a	n/a	n/a	n/a	n/a	n/a	0,08%	0,18%	n/a	n/a	n/a	n/a

	12/31/2019							
	EDP São Paulo				EDP Espírito Santo			
	Irregular Consumption		Irregular Consumption		Irregular Consumption		Irregular Consumption	
	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage	Low voltage	Medium and high voltage
Consumers					Restated (*)			
Residential	0,83%	n/a	26,69%	n/a	1,11%	n/a	25,90%	n/a
Industrial	1,30%	0,43%	29,15%	37,39%	1,20%	0,11%	34,53%	30,85%
Commerce, services and other activities	0,61%	0,40%	17,92%	n/a	0,66%	0,33%	31,41%	n/a
Rural	0,28%	0,02%	20,67%	n/a	1,15%	0,34%	16,23%	1,22%
Government	n/a	n/a	n/a	n/a	0,07%	0,01%	26,65%	n/a
Public lighting	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public service	n/a	n/a	n/a	n/a	0,14%	0,05%	n/a	n/a

(*) Refers to the rectification of the percentages of regular consumption presented in the financial statements of December 31, 2019.

The subsidiaries evaluated its history of receipts and identified that are not exposed to high credit risk, as possible overdue balances not received are mitigated by financial guarantee contracts signed at contracting of energy auctions or at formalization of bilateral contracts. In addition, amount receivable referring to short-term energy is administered by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE), which, on its turn, controls default among sectorial participants based on regulations issued by the Concession Grantor, reducing credit risk in transactions carried out. Accordingly, after due analyses, the generation subsidiaries did not identify the need for recognizing possible expected losses, as they are immaterial and controllable.

In regard to the service subsidiaries, PECLD is calculated taking into account the credit risk of its customers at lending institutions. Whenever there is a deterioration of the customer's rating in comparison to the time of the sale, the loss is increased for the next 12 months, regardless of whether there is a delay. Delay is an additional factor considered in the calculation of PECLD to determine whether it should be calculated for life or for the next 12 months.

The transmission subsidiaries have neither history nor expectations of losses in their amounts receivable, since they are guaranteed by suretyship structures and or access to current accounts operated by the National System Operator (ONS) or directly by the Company and, therefore, did not represent an expected loss for doubtful accounts.

Despite ANEEL Normative Resolution 878 (Note 4.8.1.1), which temporarily extended the period for the suspension of energy from a defaulting captive consumer from 30 to 120 days, said resolution does not extinguish the debt, including providing for the collection of late payment interest and fine in case of delay.

For the purposes of Estimated Losses on Doubtful Accounts, related to the effects of COVID-19 for distribution subsidiaries (Note 4.8.3.1.1), until sufficient observable data are available to update the expectation of future receipts from billing that occurred in 2020, Company Management – in addition to the aforementioned criteria – adopted the following measurement assumptions:

• The monthly application of a default matrix for the 2020 scenarios, based on collection analyses;

• The grace period between expected losses and the application of the matrix is now 4 months;

• Review of credit risk from irregular consumption. Based on historical customer information;

• Updating of credit risk by the current economic scenario considering the projection of the parameters of the Central Bank's default indicator;

• Lengthening of the collection period of the entire receivables portfolio from 48 to 60 months, which represents the maximum regulatory term for collection from customers, since a longer term is expected for the recoverability of receivables.

The exposure to credit risks of the Company and its subsidiaries is disclosed in Note 38.2.4.

8 Sectorial financial assets and liabilities

	Consolidated													
										Amortization amounts	Amounts under formation			
	Balance at 12/31/2019	Allocation	Amortization (i)	Inflation adjustment	Receipt of the "Covid-Account"	Transfer	Balance at 12/31/2020	Current	Non-current	IRT (*) 2020	IRT (*) 2021	IRT (*) 2022	IRT (*) 2023	Undetermined
CVA														
Purchase of energy (ii)	174.601	(88.668)	(249.176)	7.315	(113.786)	271.986	2.272	(18.430)	20.702	(53.442)	122.764	(67.050)		
Itaipu Energy Cost (iii)	243.632	510.914	(123.500)	5.612	(409.153)	1.711	229.216	66.744	162.472	(15.286)	244.502			
PROINFA	15.926	(16.429)	(15.910)	(37)	16.086	(174)	(538)	(2.350)	1.812	(3.155)	2.617			
Basic Network Transportation	63.086	79.263	(8.689)	1.740	(60.686)	728	75.442	29.025	46.417	6.692	68.750			
Energy Transportation - Itaipu	12.006	15.352	(6.770)	321	(12.342)	(182)	8.385	2.981	5.404	480	7.905			
System Service Charges - ESS/Energy Reserve Charges - EER (iv)	(195.271)	(86.035)	122.097	(3.438)	218.663	253	56.269	28.337	27.932	14.418	41.851			
Energy Development Account (Conta de Desenvolvimento Energético - CDE)	12.311	208.980	(56.553)	2.552	(119.791)	(1.705)	45.794	31.505	14.289	23.571	22.223			
	326.291	623.377	(338.501)	14.065	(481.009)	272.617	416.840	137.812	279.028	(26.722)	510.612	(67.050)	-	-
Financial items														
Overcontracting of energy (vi)	(33.725)	64.248	42.828	(2.552)	(65.293)		5.506	(36.953)	42.459	(58.344)	63.850			
Neutrality of Parcel A	(16.552)	18.176	13.983	403	(27.410)		(11.400)	11.210	(22.610)	24.492	(41.801)	5.909		
Exceeding of Demand and Reactive Energy Surplus	(303.830)	(64.287)	76.497	(9.622)			(301.242)	(56.046)	(245.196)	(56.046)	(93.642)	(75.777)	(75.777)	
Hydrological Risk Forecast – Anticipation (vii)	-	(318.421)	256.396	(4.132)		(263.453)	(329.610)	(254.299)	(75.311)	(225.454)	(104.156)			
Other	10.220	39.632	(28.143)	11.127		(9.164)	23.672	(8.959)	32.631	(17.693)	42.612	(1.247)		
	(343.887)	(260.652)	361.561	(4.776)	(92.703)	(272.617)	(613.074)	(345.047)	(268.027)	(333.045)	(133.137)	(71.115)	(75.777)	-
PIS and COFINS														
PIS/COFINS Technical Note 115/04	34.599		39.767				74.366		74.366			74.366		
Exclusion of ICMS from PIS and COFINS basis (Note 9.3.1)	(1.756.597)		65.213	(38.665)			(1.730.049)	(192.667)	(1.537.382)					(1.730.049)
	(1.721.998)	-	104.980	(38.665)	-	-	(1.655.683)	(192.667)	(1.463.016)	-	-	74.366	-	(1.730.049)
Total	(1.739.594)	362.725	128.040	(29.376)	(573.712)	-	(1.851.917)	(399.902)	(1.452.015)	(359.767)	377.475	(63.799)	(75.777)	(1.730.049)
Current assets	227.979						226.899	226.899						
Non-current assets	131.430						318.585		318.585					
Current liabilities							626.801	626.801						
Non-current liabilities	2.099.003						1.770.600		1.770.600					

(*) IRT - Tariff repositioning index

Revenue from distributors EDP São Paulo and EDP Espírito is basically comprised by the sale of electricity and delivery (transport) thereof by using infrastructure (network) from distribution. Income from concessionaires is affected by the amount of energy delivered and the price. Electricity tariff consists of two parts that reflect the composition of the revenue:

• Parcel "A" (non-manageable costs): this installment must be neutral vis-à-vis the Entity's performance, i.e. the costs incurred by the distributors, that may be classified as Parcel "A", are fully passed on to the consumer or shouldered by the Concession Grantor; and

• Parcel "B" (manageable cost): comprises disbursements in the distribution infrastructure and respective return on the investment and disbursements with operation and maintenance. This part is the one that actually affects the entity's performance, as it has inherent risk of business because there is no guarantee of tariff neutrality.

Sectorial financial assets and liabilities refer to the values originated from the difference between costs estimated by ANEEL and included in the tariff at the onset of the tariff period (Parcel "A") and those that are actually incurred during the tariff period. This difference is subsidiaries' unconditional right to receive cash from Concession Grantor where the budgeted costs are lower than costs actually incurred, or an obligation when the budgeted costs outweigh costs actually incurred. These are segregated into assets and liabilities in accordance with ratification schedule of tariffs by ANEEL in next tax proceedings.

During the tariff adjustments ANEEL recalculates the amounts actually invoiced and collected, pursuant to current regulations, with the purpose of guaranteeing the financial settlement of these amounts, without prejudice to the economic and financial balance of the concession, reducing the risk of losses to immaterial amounts.

They are approved annually by ANEEL and included in the electric power tariff through Tariff Adjustments or Reviews that, in EDP Espírito Santo, occur on August 7, and, in the EDP São Paulo, on October 23.

The amounts included in the sectorial financial assets and liabilities are:

• Account for compensation in change of Parcel "A" costs - CVA: It consists of the cost change with the acquisition of electricity, connection and transmission, in addition to sectorial charges. The CVA must be neutral vis-à-vis the Distributor's performance, i.e. the changes calculated are fully passed on to the consumer or shouldered by the Concession Grantor; and

• Financial items: They refer to other financial components that are rights or liabilities that are also part of the tariff composition, including: Overcontracting of energy Neutrality of industry charges; and Financial exposure to spot market for the price difference between Submarkets.

The Amortization process is conducted on a monthly basis and corresponds to receipt/return through application of prevailing tariffs approved in last tariff events. Regarding financial items, the monthly amortization amounts correspond to 1/12 of total amounts homologated by ANEEL. For CVA, the monthly amortization is made according to the market curve. Amounts refer to difference between incurred costs and costs included in tariff up to reference month closing date to be approved in next tariff processes.

8.1 Material effects in the year

Total sectorial liabilities net of assets amounted to R$ 1,739,594 as of December 31, 2019, whereas the total sectorial liabilities net of assets amounted to R$ 1,851,917 as of December 31, 2020. The change in the year, amounting to R$ 112,323, was caused by the following reasons:

(i) Amortization: In the year, it was transferred to consumers through the energy bill the amount of R$ 128,040 related to net sectorial liabilities approved by ANEEL.

(ii) Purchase of energy: The change in the appropriation related to the energy purchase amounts is due to a seasonality scenario associated with a more optimistic energy scenario, influenced by the impacts of the pandemic on the reduction in the demand of National Interconnected System – SIN, in which mainly the costs Thermoelectric Order costs are lower in the period under review in relation to the average scenario foreseen for the distribution subsidiaries.

(iii) Itaipu Energy Cost: Itaipu's electricity costs attributed monthly to the distributors are valued in accordance with the US dollar exchange rate. In the 2019 tariff process of EDP Espírito Santo, an assumption of R$3.79/US$ was considered for the definition of the tariff coverage. This coverage was adjusted in the 2020 tariff process, as of August 7, to the assumption of R$ 5.33, reflecting an approximation of the values considered in consumer tariffs and the amounts paid monthly. In EDP São Paulo, 2019 tariff process carried out at the beginning of October, an assumption of R$4.12/US$ was considered for the definition of the tariff coverage. This coverage was adjusted in the 2020 tariff process, as of October 23, to the assumption of R$ 5.46, reflecting an approximation of the values considered in consumer tariffs and the amounts paid monthly.

Moreover, another factor that explains the verified change stem from the CVA calculation methodology, in which Itaipu energy price is compared monthly, as well as the price of other energy contracts, with the Average Coverage Rate (TMC). TMC is a weighted average prices of the distributor's energy contracts planned for its tariff year. Therefore, the price of energy from Itaipu for the year was higher than TMC, resulting in the formation of a regulatory asset.

(iv) System Service Charges - ESS/Energy Reserve Charges - EER: The ESS/EER costs attributed to the distributors in the period under analysis proved to be higher than the estimated amounts of tariff coverage, due to the verified values of PLD (used as a parameter for valuing Reserve Energy in the Short Term Market). The main factor responsible for the increase in the ADA in the 4Q20 was the reduction in inflows from the National Interconnected System ("SIN"). Throughout 2020, considering a more favorable energy scenario and the impact of the COVID-19 pandemic (Note 4.8) on the electricity demand of the SIN, the PLD values were presented at lower levels, making it necessary to complement the Reserve Energy Account (CONER) through payment of distributors. Therefore, the costs determined for the period under analysis were in line with the tariff coverage, and the balance of allocation verified in 2020 is mainly due to the first half of the year. When receiving the Bill, the effects of ANEEL Order 986/2020 were also considered, which determined the transfer to distributors of the financial resources available in the reserve fund for future relief of charges (Note 4.8.1.5)

(v) Energy Development Account (Conta de Desenvolvimento Energético - CDE): ANEEL Homologatory Resolution 2644 of 2019 ratified the CDE quota amounts for the year 2020. Compared to the previous year, the amounts under responsibility of the Company (Energy Development Account Utilization Charges) increased 24% on average. Thus, the distributors started presenting a tariff deficit as of January 2020 due to the mismatch between the tariff coverage and the new amounts paid to CDE. This tariff deficit comprised the "CVA" (an offsetting account for changes in amounts of certain items of electricity distribution concession agreements), the amounts of which were reversed in the 2020 tariff process; since then, there has been a balance between payment and tariff coverage.

(vi) Overcontracting of energy: The overcontracting of energy was mainly influenced by the change in the scenario expected for 2020, which was heavily impacted by the COVID-19 crisis (Note 4.8). The decrease in load, combined with a favorable hydrological scenario, significantly reduced the short-term market price (PLD), which intensified the negative result of this energy compared to the distributors' energy acquisition cost (PMIX).

In addition to Regulatory Decision 885, ANEEL Public Consultation 35 is being conducted, established to improve mechanisms related to the economic and financial rebalancing of distributors, arising from the increase in costs and frustration of income arising from the state of public calamity determined by Legislative Decree 6 due to the COVID-19 pandemic.

The Distributors recognize its sectorial financial assets and liabilities based on OCPC 08 - Recognition of Certain Assets and Liabilities in the General Purpose Accounting-Financial Reports of Electricity Distributors, issued in accordance with Brazilian and International Accounting Standards, in such a way that the records of financial assets and liabilities stemming from the differences found in items of Parcel A and other financial components in each accounting period have, as a contra entry, the item Income from the Sale of Goods and Services, in P/L for the period, considering the best estimate regarding the financial amount to be realized as a result of the full compliance with the performance obligation completed in the period, considering all existing facts and circumstances that support the transaction.

The Management of EDP - Energias do Brasil engaged an external legal opinion regarding the economic rebalancing, which demonstrates the existence of a right to income coverage to mitigate the economic effects inherent in the COVID-19 crisis, as it is an extraordinary event. However, for as long as the public consultation of said Resolution has not been finalized in order to establish regulatory parameters that guide the pricing of such regulatory rights, these are considered in accounting as "contingent assets" and, therefore, such rights are not recognized for now.

Regarding Order 2508/2020 issued by the Market Regulation (SRM) and Tariff Management (SGT) Superintendencies, disclosing the amounts of involuntary overcontracting in years 2016 and 2017, the distributors and ABRADEE filed administrative appeals to: (a) review the criterion used by the Superintendencies in calculating the maximum effort, to recognize the willingness to overcontracting in year 2017, in accordance with current regulations; and (b) request the suspension of the effects of said Order, while the merits of the appeals have not been assessed. Regarding the revision of the maximum effort criterion, ANEEL should evaluate the merits of the Administrative Appeals presented, whose decision will be the responsibility of the Agency's Collegiate Board. Regarding the second point, ANEEL's executive board issued Order No. 2,897/2020 denying the granting of suspensive effect to Administrative Appeals. Therefore, the distributors await a favorable decision in this process, an expectation corroborated by an external legal opinion contracted by ABRADEE.

Finally, it is worth mentioning that in the 2018 Tariff Readjustment of EDP Espírito Santo, the Collegiate Board of ANEEL elected to anticipate the tariff treatment of its over-contracting as a volunteer for the 2016 and 2017 fiscal years, based on a regulatory claim filed by the Company, according to the decision made at the 28th ANEEL Board of Directors Meeting in 2018 and approval of ANEEL Homologatory Resolution No. 2,432/2018.

(vii) Hydrological Risk Forecast – Anticipation It is a financial component defined in the tariff processes of the distributors, whose objective is to provide a tariff cover for the costs incurred with the Hydrological Risk of the plants under the Physical Guarantee Quota regime, Itaipu plant and the plants with CCEAR that renegotiated the Hydrological risk. This cost account is added into the mechanism of the Counter Centralization of Tariff Flags (CCRBT). In this regard, the amounts to be allocated in the period under review refer to the financial component billed to consumers, forming a sectoral liability and which will be reversed in the next distributor tariff process, at which time a new forecast of the Hydrological Risk will be considered based on the GSF (Generation Scaling Factor) and the Green Flag ceiling PLD.

(viii) Account Receipt - Covid account (Order 2177 of July 24, 2020): ANEEL Regulatory Decision 885/2020 (Note 4.8.1.9) approved the regulation of Covid Account, determined by Decree 10350/2020. Covid Account refers to a sectorial fund destined to obtain funds to for the electric sector to face the crisis caused by the pandemic of COVID-19, allowing the financial fluidity of the value chain, as well as to alleviate tariff impacts to consumers of electric energy. The dynamics of the sectorial fund is based on anticipating Regulatory Assets set up by electric energy distribution companies and which would already be passed on to consumers' tariffs in ordinary processes. Thus, the credit transaction guarantees the transfer of these regulatory assets to distributors, while at the same time, avoiding significant tariff impacts on consumers in 2020. Accordingly, ANEEL Order 2177/2020 and ANEEL Order No. 2,353/2020 defined the total amount of R$ 573,711, of which R$ 354,288 was related to EDP São Paulo and R$ 219,423 to EDP Espírito Santo, which were transferred from the Covid account, whose accounting reflects the setup of a regulatory liability, in order to face other regulatory assets.

9 Income tax, social contribution, and other taxes

		Parent Company						
	Note	Balance at 12/31/2019	Addition	Inflation adjustment	Advances / payments	Federal tax offsetting	Transfer	Balance at 12/31/2020
Offsettable assets								
Recoverable income tax and social contribution	9.1	56.618		3.080	(4)	(62.537)	62.552	59.709
Total		56.618	-	3.080	(4)	(62.537)	62.552	59.709
Current		25.322						25.389
Non-current		31.296						34.320
Other recoverable taxes								
PIS and COFINS		422	34				(34)	422
Income tax on interest earning bank deposits		57.169	55.770				(11.698)	101.241
IRRF (Withholding income tax) on interest on own capital		50.746					(50.746)	-
Withholding income tax and social contribution on billing		1.007	8					1.015
Other		1.774	1.943				2	3.719
Total		111.118	57.755	-	-	-	(62.476)	106.397
Current		40.028						45.354
Non-current		71.090						61.043
Liabilities payable								
Income tax and social contribution payable		-	24	9			(33)	-
Total current		-	24	9	-		(33)	-
Other taxes payable								
ICMS (VAT taxes)		63	(43)					20
PIS and COFINS		30.469	31.000			(31.998)	109	29.580
Taxes on services rendered by third-parties		717	2.741	126	(1.059)			2.525
IRRF (Withholding income tax) on interest on own capital		30.539	24.355			(30.539)		24.355
Installments	9.6.1	27.315		397	(5.515)			22.197
Personnel charges		2.835	18.303		(10.171)			10.967
Other		1.197	3.490		(4.338)			349
Total		93.135	79.846	523	(21.083)	(62.537)	109	89.993
Current		71.276						68.110
Non-current		21.859						21.883

	Consolidated								
	Balance at 12/31/2019	Addition	Decreases	Inflation adjustment	Advances / Payments	Federal tax offsetting	Transfer	Transfer of Assets held for sale (Note 17)	Balance at 12/31/2020
Offsettable assets									
Recoverable income tax and social contribution (Note 9.2)	217.043			5.239	296.029	(80.199)	(153.814)	18.540	302.838
Total	217.043	-	-	5.239	296.029	(80.199)	(153.814)	18.540	302.838
Current	123.282								206.929
Non-current	93.761								95.909
Other recoverable taxes									
ICMS (Note 9.4)	185.956	57.033	(5.871)	728	1.214	(128)	(24.258)		214.674
PIS and COFINS (Note 9.3)	1.974.524	1.144.039		70.045	35	(440.846)	(1.022.588)	107	1.725.316
Income tax on interest earning bank deposits	95.896	72.405				(1.744)	(35.559)	994	131.992
IRRF (Withholding income tax) on interest on own capital	54.370	2.478				(3.506)	(50.864)		2.478
Withholding income tax and social contribution on billing	4.289	6.979					(3.299)	164	8.133
Other	18.359	6.525			398		2.719	2.804	30.805
Total	2.333.394	1.289.459	(5.871)	70.773	1.647	(446.224)	(1.133.849)	4.069	2.113.398
Current	670.383								633.670
Non-current	1.663.011								1.479.728
Liabilities payable									
Income tax and social contribution payable	43.760	406.184	(31)	307	(100.595)	(6.209)	(246.731)	3.575	100.260
Total current	43.760	406.184	(31)	307	(100.595)	(6.209)	(246.731)	3.575	100.260
Other taxes payable									
ICMS (Note 9.5)	231.679	2.560.864		71	(2.512.220)	(128)	(24.261)	4	256.009
PIS and COFINS	105.907	1.608.033			(129.486)	(448.779)	(1.016.098)	3.780	123.357
Taxes on services rendered by third-parties	13.004	59.514		132	(61.292)		40	44	11.442
IRRF (Withholding income tax) on interest on own capital	80.937	73.367			(10.708)	(71.307)	(509)	1.587	73.367
Installments (Note 9.6)	397.956			8.475	(42.549)		11		363.893
Personnel charges	16.327	146.108		17	(136.539)		84	324	26.321
Other	3.815	13.023		153	(13.243)		(199)		3.549
Total	849.625	4.460.909	-	8.848	(2.906.037)	(520.214)	(1.040.932)	5.739	857.938
Current	493.977								531.516
Non-current	355.648								326.422

As required by CPC 32 - Income taxes, the Company and its subsidiaries present current income tax and social contribution consolidated assets and liabilities at its net value when: (i) could be offset by the same tax authority; and (ii) the tax legislation permits that the Company and its subsidiaries make or receive the tax in lump sum.

9.1 Income tax and social contribution - Assets to offset - Parent company

The recorded amounts refer mostly to tax withholdings at source and respective restatements based on the Selic (Central Bank) rate. That balance is mostly offset with withholding income tax on declared interest on own capital and PIS and COFINS on financial income.

9.2 Income tax and social contribution - Offsettable assets - Consolidated

The amount on December 31, 2020 of R$ 302,838 refers mainly to the impact of Law 13670/18, prohibiting the offsetting of debts related to the monthly corporate income tax (IRPJ) and social contribution (CSLL) estimates with tax credits held by taxpayers under the Taxable Income regime.

9.3 PIS and COFINS – Offsettable Assets - Consolidated

In relation to PIS and COFINS, the subsidiaries calculated a credit of R$ 134,244, and the balance is restated, net of offsets until December 31, 2020 is R$ 83,038.

9.3.1 Exclusion of ICMS from PIS/COFINS calculation basis

9.3.1.1 EDP São Paulo

On December 10, 2019, a deferral was carried out from the Federal Regional Court of the 3rd Region in a lawsuit, in which the right not to include the ICMS amounts in the PIS and COFINS calculation basis was granted, as well as the right to recover the amounts previously collected. Regarding the tariff treatment, EDP São Paulo inquired ANEEL and received a response through Official Letter 392/2019 on November 19, 2019, with the guidance that the agency, through its technical areas, is analyzing the best way to transfer the amounts recovered to tariffs approved to consumers of the Concessionaires. On March 17, 2020, ANEEL opened Subsidies Taking No. 5/2020, seeking to obtain subsidies through "Social Participation" for the formulation of its position regarding the tariff treatment to be given by electricity distributors to tax credits arising from these lawsuits. The amount recognized in the sectorial financial liabilities item (Note 8) refers to the monetarily restated principal amount. Changes in said amounts are in accordance with the Brazilian Federal Revenue Service (RFB) Consultation Solution 13/2018, including inflation adjustment and offsetting as of December 31, 2020, as follows:

	Principal	Restatement	(-) Offset	Total
Exclusion of own ICMS from PIS and COFINS calculation basis	788.673	252.666	(148.132)	893.207
	788.673	252.666	(148.132)	893.207

9.3.1.2 EDP Espírito Santo

On April 3, 2019, EDP Espírito Santo was granted an unappealable favorable decision in a lawsuit, in which the right not to include the ICMS amounts in the PIS and COFINS calculation basis was granted, as well as the right to recover the amounts previously collected. The Brazilian Federal Revenue Service granted the request for credit qualification. Regarding the tariff treatment, EDP Espírito Santo inquired ANEEL and received a response through Official Letter 392/2019 on November 19, 2019, with the guidance that the agency, through its technical areas, is analyzing the best way to transfer the amounts recovered to tariffs approved to consumers of the Concessionaires. On March 17, 2020, ANEEL opened Subsidies Taking No. 5/2020, seeking to obtain subsidies through "Social Participation" for the formulation of its position regarding the treatment to be given by electricity distributors to tax credits arising from these lawsuits.

On July 28, 2020, through letter CT-EDP-ES-27/2020, EDP Espírito Santo requested the consideration of anticipating the reversal of credits resulting from the exclusion of ICMS from the PIS and COFINS calculation basis, as extraordinary negative financial component to be offset against the total amount provided by the Brazilian Federal Revenue Service. On August 3, 2020, the Tariff Management Superintendence - SGT, through Technical Note 138/2020-SGT/ANEEL, consolidated the calculation of the Annual Tariff Adjustment - RTA 2020 of EDP Espírito Santo, for the tariffs applied to consumers as of August 7, 2020 (Note 4.5.1). The amount recognized in the sectorial financial liabilities item (Note 8) refers to the monetarily restated principal amount.

	Principal	Restatement	(-) Offset	Total
Exclusion of own ICMS from PIS and COFINS calculation basis	555.006	197.932	(180.811)	572.127
	555.006	197.932	(180.811)	572.127

9.4 ICMS - Assets to offset - Consolidated

Of the amount on December 31, 2020 in the amount of R$ 214,674 (R$ 185,956 on December 31, 2019) the subsidiaries EDP São Paulo and EDP Espírito Santo have a balance of R$ 207,749 (R$ 180,017 on December 31, 2019), which includes ICMS (value-added tax) credits from the purchase of goods in the amount of R$ 202,736 (R$ 176,604 on December 31, 2019) which, according to paragraph 5 of article 20 of Complementary Law 87/96, are offset at the ratio of 1/48 per month.

9.5 ICMS - Liabilities payable - Consolidated

Of the amount as of December 31, 2020 of R$ 255,795 (R$ 231,679 as of December 31, 2019), subsidiaries EDP São Paulo and EDP Espírito Santo had a balance of R$ 245,249 (R$ 216,768 as of December 31, 2019), referring to ICMS levied on electricity bills.

9.6 Installments

9.6.1 Parent Company

9.6.1.1 REFIS

In 2009, the Company formalized with the Brazilian Federal Revenue Service (RFB) its participation in the program of reduction and installment payments of federal taxes, according to Law 11941/09 – "REFIS IV". On June 30, 2011, the Company consolidated the debts included in the installment plan. Below are the amounts and the list of taxes payable in installments:

	Parent Company					
Installments - REFIS	**Principal**	**Fine**	**Interest**	**Total installment**	**Conversion to income**	**Adhesion value - REFIS**
COFINS	30.754	6.151	9.793	46.698	2.092	48.790
PIS	6.677	1.335	2.126	10.138	454	10.592
Total amount of taxes	37.431	7.486	11.919	56.836	2.546	59.382
Decrease in Refis program						(7.471)
Use of negative Basis/ Tax Loss						(11.933)
Total						39.978

9.6.2 Consolidated

9.6.2.1 REFIS

The subsidiary EDP Espírito Santo, together with the Company, also formalized with the RFB the adherence to "REFIS IV" (Note 9.6.1.1). Amounts and list of taxes to be paid in consolidated installments are as follows:

	Consolidated						
Installments - REFIS	**Principal**	**Fine**	**Interest**	**Charges**	**Total installment**	**Conversion to income**	**Adhesion value - REFIS**
COFINS	33.679	6.736	12.474		52.889	2.092	54.981
PIS	6.677	1.335	2.126		10.138	454	10.592
CSLL	4.442	888	4.093	1.885	11.308	3.742	15.050
INSS	8.548	3.021	10.256	670	22.495	10.822	33.317
IRPJ/ IRRF	4	1	8		13	5.257	5.270
Fine		223	192		415	190	605
Total amount of taxes	53.350	12.204	29.149	2.555	97.258	22.557	119.815
Decrease in Refis program							(19.049)
Use of negative Basis/ Tax Loss							(24.032)
Total							76.734

9.6.2.2 Special Tax Regularization Program - PERT

As a result of the calculation of the debts arisen from the recalculation of taxes, the distribution subsidiaries and Enerpeixe adhered in August 2017 to the PERT.

Among the installment payment options, the subsidiaries adhered to the cash payment of 20% of the consolidated debt, without discount, in 5 monthly and successive installments, falling due from August to December 2017, and the remaining amount in 145 monthly and successive installments, falling due from January 2018, with 80% reduction in late payment interests, and 50% of late-payment interest, ex-officio or isolated fines. The installments will be monthly restated at SELIC plus 1%.

Amounts and list of taxes to be paid in consolidated installments are as follows:

	Consolidated			
Installments - PERT	**Principal**	**Fine**	**Interest**	**Total installment**
PIS	37.010	7.401	10.649	55.060
COFINS	166.807	33.361	47.259	247.427
CSLL	63.432	12.686	16.017	92.135
IRPJ/ IRRF	155.787	31.158	38.304	225.249
	423.036	84.606	112.229	619.871
Decrease in PERT program				(105.668)
Total				514.203

9.6.3 Changes in installments

Changes in the installment plans and the respective balances as of December 31, 2020 are as follows:

	Parent Company	Consolidated		
	REFIS	REFIS (ii)	PERT	Total
Adhesion value	39.978	76.734	514.203	590.937
Adjustment in consolidation REFIS/PERT (i)	791	791	(11.236)	(10.445)
Interest adjustments – Consolidation 2011	8.707	11.422		11.422
Assets to be offset		3.640		3.640
Judicial deposit in favor of the Company		17.284		17.284
Appropriation in favor of the Federal Government	(5.689)	(24.071)		(24.071)
Amortization	(43.391)	(79.470)	(232.400)	(311.870)
Restatement	21.801	27.765	62.123	89.888
Reversal of update of the appropriation in favor of the Federal Government		(2.892)		(2.892)
Balances at December 31, 2020	22.197	31.203	332.690	363.893

(i) The amount of R$791 in the Parent Company relates to the judicial deposit aiming at the suspension of the enforceability of the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) debt arising from the administrative proceedings of the merged company Magistra Participações SA, which was included in the Federal REFIS (Tax Recovery Program) in 2013 and ratified in March 2017 by the Brazilian Federal Revenue Service, which supposedly erred by equating types of deposits.
(ii) Out of the total consolidated amount of REFIS debt as of December 31, 2020 totaling R$ 31,203 (R$ 36,414 on December 31, 2019): (i) R$ 22,197 (R$ 27,315 as of December 31, 2019) refers to the Company, which have been paid in installments and are restated monthly by the SELIC rate; and (ii) R$ 9,006 (R$ 9,099 on December 31, 2019), refers to subsidiary EDP Espírito Santo, with judicial deposits of R$ 23,113 (R$ 23,153 on December 31, 2019), which expect appropriation by the Federal government (in accordance with article 32 of PGFN/RFB Ordinance No. 06/09), and when that is done this liability will be written off.

Out of total debt of the Company on December 31, 2020 of R$ 22,197 (R$ 27,315 on December 31, 2019), 46 installments of R$ 461 monthly restated at SELIC still remain.

10 Deferred taxes

		Parent Company		Consolidated						
		Liabilities		Assets			Liabilities			
		Non-current		Current	Non-current		Current		Non-current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
PIS and COFINS	10.1	160	151	7.701	29.019		10.483	716	454.723	266.856
Income tax and social contribution	10.2	206.206	208.446		681.539	741.695			653.459	462.309
Service tax							1.067	785	1.159	1.615
Total		206.366	208.597	7.701	710.558	741.695	11.550	1.501	1.109.341	730.780

10.1 PIS and COFINS

Deferred PIS and COFINS (recognized) have the following types:

	Parent Company		Consolidated					
	Liabilities		Assets		Liabilities			
	Non-current		Current	Non-current	Current		Non-current	
	12/31/2020	12/31/2019	12/31/2020	12/31/2020	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Future commitments – EDP Comercializadora			7.701	29.019	9.510		48.248	
Income due to the recognition of incurred costs (CPC 47) in EDP Soluções					973	716	1.057	1.473
Income from construction in transmission subsidiaries							401.585	262.084
Inflation adjustment of judicial deposits	160	151					3.833	3.299
	160	151	7.701	29.019	10.483	716	454.723	266.856

10.2 Income tax and social contribution

They are recorded on tax losses, negative basis of social contribution and temporary differences, considering the rates in force of the aforementioned taxes, in accordance with the provisions of CVM Resolution 599/09 and consider past profitability record and expectations of future taxable income based on a technical viability study. They are recognized according to the transaction that originated them, whether in income or shareholders' equity. Income tax and social contribution - deferred and social contribution assets and liabilities are presented according to their nature and total amount is presented at net value after due offsets, as required by CPC 32.

10.2.1 Breakdown

		Parent Company			
		Non-current liabilities		Income (loss)	
Nature of credits	Note	12/31/2020	12/31/2019	2020	2019
Temporary differences					
Bargain purchase	10.2.1.1	149.553	149.553		(2.638)
Surplus		55.356	57.660	2.304	2.304
Other		1.297	1.233	(64)	(784)
Total		206.206	208.446	2.240	(1.118)

		Consolidated							
		Non-current assets		Non-current liabilities		Income (loss)		Shareholders' equity	
Nature of credits	**Note**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**2020**	**2019**	**2020**	**2019**
Tax losses	10.2.1.2	291.210	283.924			7.286	(14.576)		
Negative basis of social contribution	10.2.1.2	99.843	101.719			(1.876)	(9.336)		
		391.053	385.643	-	-	5.410	(23.912)	-	-
Temporary differences									
Estimated loss from allowance for doubtful accounts - PECLD		242.077	188.647			50.735	66.873		
Post-employment benefits		133.123	97.778			33.110	(40.725)		
Provision for tax, civil and labor risks		160.125	133.148			25.018	9.765		
Consumers - adjustment to present value		407	1.234			(827)	(2.672)		
Pre-operating expenditures		14.325	7.871			6.454	(9.021)		
Bargain purchase	10.2.1.1			149.553	149.553		(2.638)		
Surplus				478.448	480.752	2.304	2.304		
Amortization/depreciation - Surplus in the acquired business - CPC 15 (R1)				(141.980)	(126.321)	15.659	17.790		
Use of Public Property - CPC 25		150.564	110.192	49.311	31.418	22.479	5.302		
Fair value of indemnifiable financial assets - ICPC 01 (R1)				329.125	282.766	(46.359)	(99.503)		
Remuneration of concession assets		3.905	1.465	352.432	180.642	(169.350)	(154.030)		
PIS and Cofins on concession assets		135.633	87.481			48.152	75.213		
Financial instruments - CPC 39		4.287	3.583	43.075	45.722	2.753	2.904	598	
Post-employment benefits - PSAP	10.2.1.3	(111.268)	(85.018)			(26.250)			
Post-employment benefits - Other comprehensive income		283.112	298.524			46	(234)	(18.147)	94.146
Concession right - GSF	23.1.3.1			132.212		(132.212)			
Environmental permits		10.645	6.979	8.984	11.363	6.045	1.468		
Future commitments		134.969		212.301		(77.332)			
Other		31.280	17.702	39.342	30.276	5.909	8.212		
Total temporary differences		1.193.184	869.586	1.652.803	1.086.171	(233.666)	(118.992)	(17.549)	94.146
Tax credit of goodwill taken over	10.2.1.4	96.646	110.328			(13.682)	(14.020)		
Total gross		1.680.883	1.365.557	1.652.803	1.086.171	(241.938)	(156.924)	(17.549)	94.146
Offset between Deferred Assets and Liabilities		(999.344)	(623.862)	(999.344)	(623.862)				
Total		681.539	741.695	653.459	462.309				

Change in deferred income and social contribution tax assets and liabilities (Consolidated) in the amount of R$ 251,306 was recorded as a negative contra entry in the income for the year of R$ 241,938, credited to shareholders' equity in the amount of R$ 17,549 and debit in liabilities in the amount of R$ 8,181 related to Energest due to the return to consolidation perimeter.

10.2.1.1 Bargain purchase

Deferred taxes on negative goodwill are a result of the acquisitions of Porto do Pecém (R$120,096) and Celesc (R$29,457). Taxes on negative goodwill will be realized on the disposal of these investments.

10.2.1.2 Tax losses and negative basis of social contribution tax

Under the tax legislation in force, the tax loss and the negative basis of social contribution can be offset with future income, up to the limit of 30% of the taxable income, and are not subject to a statutory limitation period.

10.2.1.3 Provision for Social Security Deficit - PSAP

The taxable credit arising from the Provision for the Pension Plan Deficit - PSAP of EDP São Paulo refers to the portion of liabilities related to the benefits exceeding the assets of the Defined benefit pension plans, the provision for which was effected on December 31, 2001 with a counterparty in the Shareholders' Equity, deductible on the occasion of the monthly payments, expected to be terminated in 2028 (Note 27.1.1.9).

10.2.1.4 Tax credit of goodwill taken over

The goodwill fiscal credit derives from:

(i) in subsidiary EDP São Paulo: from the takeover of the spin off portion of the former parent company Enerpaulo - Energia Paulista Ltda. within the subsidiary EDP São Paulo during 2002, represented by the goodwill paid by Enerpaulo on the acquisition of shares issued by EDP São Paulo;

(ii) in subsidiary EDP Espírito Santo: from the takeover that occurred in April 2005 of the spin off portion of the Parent Company with the subsidiary EDP Escelsa, represented by the goodwill paid by the merged companies EDP 2000 Participações Ltda. and EDP Investimentos Ltda. on the acquisition of shares issued by IVEN, which was the parent company of EDP Espírito Santo; and

(iii) in the subsidiary Lajeado: the takeover of the subsidiaries EDP Lajeado and Tocantins within the subsidiary Lajeado, dated November 2009, represented by the goodwill paid by Lajeado.

The amounts were accounted for in accordance with CVM Instructions 319/99 and 349/99, and in accordance with ANEEL's instructions, and amortized according to the curve between the expectations of future results and the terms of the subsidiaries' concession. This translates into a future average annual tax credit realization of R$ 5,815 for the subsidiary EDP São Paulo up to 2027, R$ 1,595 for the subsidiary EDP Espírito Santo up to 2025, and R$ 4,005 for the subsidiary Lajeado up to 2032.

10.2.2 Realization of deferred tax assets

Deferred tax assets are reviewed at the year-end and are reduced as their realization is no longer probable.

Management of EDP São Paulo, EDP Espírito Santo, Lajeado, Investco, EDP Comercializadora, EDP GRID, Enerpeixe, Energest, Porto do Pecém and subsidiaries prepared the projection of future taxable income, demonstrating the realization capacity of these tax credits in indicated years. Based on the technical study of taxable income projections, the subsidiaries estimate recovering tax credit arisen out of accumulated losses in the following years:

2021	2022	2023	2024	2025	2026–2028	As from 2029	Total non-current
329.662	266.934	256.406	200.155	202.247	193.978	231.501	1.680.883

The realization of deferred tax assets is in line with the provisions of standard CPC 32 – Income Taxes.

10.2.3 Unrecognized deferred tax assets

On December 31, 2020, the Company and its subsidiaries have tax credits related to tax, negative bases of social contribution and temporary differences not recognized in financial statements totaling R$ 16,929 (R$ 8,918 at December 31, 2019), in view of uncertainties in its realization. Such amount may be the object of future recognition, in accordance with annual reviews of taxable income generation projections. There is no statute of limitation period for the use of said credits.

11 Related parties

Besides the amounts of the balance of dividends payable and receivable provided in Note 15 and loans payable provided in Note 27, the other balances of assets and liabilities, as well as the transactions of the Company with its subsidiaries and parent companies, key Management and other related parties, which influenced the result of the year, are presented as follows:

				Parent Company											
				Assets				Liabilities				Income (expenses)			
				Current		Non-current		Current		Non-current		Operating		Financial	
	Relationship	Price practiced	Duration	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
Loans receivable															
Loan agreements - 100–110% CDI															
Pecém OM	Jointly-controlled subsidiary		From December 05, 2011 to an undefined date				1.468							37	90
Porto do Pecém	Subsidiary		From September 24, 2012 to an undefined date				85.021							1.995	8.706
Mabe	Jointly-controlled subsidiary		10/04/2013–12/31/2021				23.108							663	1.343
EDP Comercializadora	Subsidiary		10/02/2020–10/01/2022			90.224								224	
EDP Transmissão MA I	Subsidiary		11/22/2019–11/21/2020		22.254										53
EDP Transmissão MA I	Subsidiary		11/26/2020–11/25/2024			150.225								2.345	
EDP Transmissão MA I	Subsidiary		11/22/2018–11/21/2020		26.415										163
EDP Transmissão MA I	Subsidiary		11/26/2020–11/25/2024			55.083								1.420	
EDP Transmissão SP-MG	Subsidiary		11/22/2019–11/21/2020		67.522										1.693
EDP Transmissão SP-MG	Subsidiary		11/26/2020–11/25/2024			206.542								3.106	
EDP São Paulo	Subsidiary		03/29/2017–03/28/2019												439
EDP Espírito Santo	Subsidiary		03/29/2017–05/28/2019												599
EDP Espírito Santo	Subsidiary		01/08/2019–01/07/2021											14	
				-	116.191	502.074	109.597	-	-	-	-	-	-	9.804	13.086
Advance for future capital increase – AFAC															
EDP Transmissão Aliança	Subsidiary		From August 23, 2017 to an undefined date				90.000								
EDP Ventures	Subsidiary		From December 13, 2019 to an undefined date			2.000	3.500								
EDP GRID	Subsidiary		From December 7, 2015 to an undefined date			68.100	15.500								
Resende	Subsidiary		From May 14, 2019 to an undefined date				20								
				-	-	70.100	109.020	-	-	-	-	-	-	-	-
Other receivables and other accounts payable (Note 16)															
Human Resources Sharing Agreement (a)															
EDP São Paulo	Subsidiary		01/01/2019–12/31/2021			742	394				2.167	(445)	432		
Energest	Subsidiary		01/01/2019–12/31/2021				1.071			13	55	83			
EDP Comercializadora	Subsidiary		01/01/2019–12/31/2021			427	555			986	276	3.262	1.610		
Investco	Subsidiary		01/01/2019–12/31/2021			1.089	732			25	117	1.973	156		
EDP Espírito Santo	Subsidiary		01/01/2019–12/31/2021			2.534	3.198			33	1.853	21.290	7.367		
Porto do Pecém	Subsidiary		01/01/2019–12/31/2021			1.733	2.233				978	13.267	5.482		
EDP Soluções	Subsidiary		01/01/2020–01/01/2022			1.271	784				992	1.670	1.371		
EDP GRID	Subsidiary		01/01/2019–12/31/2021			272	59			148	399	871	(109)		
Lajeado	Subsidiary		01/01/2019–12/31/2021			701	(6)				234	2.929	596		
EDP Transmissão	Subsidiary		01/01/2019–12/31/2021			34	163				37	261	459		
EDP Varejista	Subsidiary		01/01/2019–12/31/2021			97						944			
EDP Transmissão MA I	Subsidiary		01/01/2019–12/31/2021			88	52				7	495	181		
EDP Transmissão MA I	Subsidiary		01/01/2019–12/31/2021			49	51			5	9	380	146		
EDP Transmissão SP-MG	Subsidiary		01/01/2019–12/31/2021			337	67				16	2.100	179		
EDP Transmissão Aliança	Subsidiary		01/01/2019–12/31/2021			273	215			16	101	2.113	575		
CEJA	Jointly-controlled subsidiary		01/01/2018–12/31/2021			16	53			236	426	(689)	(94)		
São Manoel	Jointly-controlled subsidiary		05/01/2018–12/31/2021			251	220				198	1.453			
Enerpeixe	Subsidiary		07/01/2018–07/31/2021			58						1.105	1.312		

				Parent Company											
				Assets				Liabilities				Income (expenses)			
				Current		Non-current		Current		Non-current		Operating		Financial	
	Relationship	Price practiced	Duration	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
Infrastructure Service Sharing (b)															
EDP São Paulo	Subsidiary (*)		01/01/2015–12/31/2021			78	216					2.839	3.232		
Energest	Subsidiary		01/01/2015–12/31/2021			1						70			
EDP Comercializadora	Subsidiary		01/01/2015–12/31/2021			19	27					442	518		
EDP Transmissão	Subsidiary		01/01/2015–12/31/2021			1	1					190	27		
ECE Participações	Jointly-controlled subsidiary		01/01/2015–12/31/2019										24		
Investco	Subsidiary		01/01/2015–12/31/2021			12	24					323	297		
Porto do Pecém	Subsidiary		01/01/2015–12/31/2021			38	79					1.298	362		
Lajeado	Subsidiary		01/01/2015–12/31/2021			11	11					262	98		
CEJA	Jointly-controlled subsidiary		01/01/2015–12/31/2021										24		
EDP Espírito Santo	Subsidiary		01/01/2015–12/31/2021			121	248					3.206	1.966		
Cachoeira Caldeirão	Jointly-controlled subsidiary		01/01/2015–12/31/2021										170		
EDP GRID	Subsidiary		01/01/2015–12/31/2021			14	16					294	148		
EDP Transmissão MA I	Subsidiary		07/01/2017–12/31/2021			1						51	22		
EDP Transmissão MA I	Subsidiary		07/01/2017–12/31/2021			1						32	21		
EDP Transmissão SP-MG	Subsidiary		07/01/2017–12/31/2021			4						150	30		
EDP Transmissão Aliança	Subsidiary		07/01/2017–12/31/2021			4						283	26		
EDP Soluções	Subsidiary		01/01/2015–12/31/2021			11	25					257	189		
EDP Varejista	Subsidiary		01/01/2015–12/31/2021			4						65			
Stock option granted by the Company (Note 11.2.1)															
EDP São Paulo	Subsidiary		06/15/2016–06/18/2025			731	1.303					573	596		
Energest	Subsidiary		06/15/2016–06/18/2025			1.079	777					301			
EDP Comercializadora	Subsidiary		06/15/2016–06/18/2025			466	296					169	143		
EDP Espírito Santo	Subsidiary		06/19/2017–06/18/2025			485	210					275	152		
Porto do Pecém	Subsidiary		06/15/2016–06/18/2025			1.214	787					427	233		
EDP Transmissão SP-MG	Subsidiary		06/06/2019–06/05/2025			41	24					17	19		
EDP GRID	Subsidiary		06/15/2016–06/15/2025			284	121					163	75		
EDP Transmissão Aliança	Subsidiary		06/22/2020–06/22/2025			10						10			
Agreement of consulting services															
EDP Renováveis	Related party		From 06/01/2017 to an undefined date	339	283	270	270								
Elebrás	Related party		07/01/2019–06/30/2020										234		
Service agreement (c)															
EDP Portugal	Parent company		Undetermined	7.954	5.122			34.923	31.119	1.098	446	(2.951)	(12.647)	(6.126)	(6.768)
EDP Valor	Related party		Undetermined					3.794	2.328				(2.238)		
Porto do Pecém	Subsidiary		01/01/2019–09/30/2019				53						53		
ECE Participações	Jointly-controlled subsidiary (*)		01/01/2019–12/31/2022										412		
Ceja	Jointly-controlled subsidiary		01/01/2019–12/31/2022										(41)		
Cachoeira Caldeirão	Jointly-controlled subsidiary		01/01/2019–12/31/2022										369		
Elebrás	Related party		07/02/2018–07/02/2020		26								123		
Cenaeel	Related party		07/02/2018–07/02/2020										24		
Baixa do Feijão I	Related party		07/02/2018–07/02/2020										53		
Baixa do Feijão II	Related party		07/02/2018–07/02/2020										53		
Baixa do Feijão II	Related party		07/02/2018–07/02/2020										53		
Baixa do Feijão IV	Related party		07/02/2018–07/02/2020										53		
JAU	Related party		07/02/2018–07/02/2020										148		
Aventura I	Related party		07/02/2018–07/02/2020										42		
Babilônia I	Related party		07/02/2018–07/02/2020		10								56		
Babilônia II	Related party		07/02/2018–07/02/2020		10								56		
Babilônia III	Related party		07/02/2018–07/02/2020		10								56		
Babilônia IV	Related party		07/02/2018–07/02/2020		10								56		
Babilônia V	Related party		07/02/2018–07/02/2020		10								56		

				Parent Company											
				Assets				Liabilities				Income (expenses)			
				Current		Non-current		Current		Non-current		Operating		Financial	
	Relationship	Price practiced	Duration	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
Agreement for the Sharing of Backoffice Activities (d)															
EDP Espírito Santo	Subsidiary		01/01/2019–12/31/2021			180	2.361					13.465	15.604		
Cachoeira Caldeirão	Jointly-controlled subsidiary		01/01/2019–12/31/2021			193	371			259	429	527	424		
São Manoel	Jointly-controlled subsidiary		05/01/2018–04/30/2020										1.258		
ECE Participações	Jointly-controlled subsidiary (*)		01/01/2019–12/31/2019										500		
EDP Transmissão MA I	Subsidiary		01/01/2019–12/31/2021			51	31				10	450	483		
EDP Transmissão MA I	Subsidiary		01/01/2019–12/31/2021			62	31				10	592	448		
EDP Transmissão SP-MG	Subsidiary		01/01/2019–12/31/2021			59	31				10	589	447		
EDP Transmissão Aliança	Subsidiary		01/01/2019–12/31/2021			62	31				10	707	719		
Energest	Subsidiary		01/01/2019–12/31/2021			108						1.212			
EDP Soluções	Subsidiary		01/01/2019–12/31/2021			196	1.135					1.587	1.168		
Lajeado	Subsidiary		01/01/2019–12/31/2021			144	826					1.427	2.012		
Porto do Pecém	Subsidiary		01/01/2019–12/31/2021			738						6.247	5.480		
EDP GRID	Subsidiary		01/01/2019–12/31/2022			125						1.459	478		
EDP São Paulo	Subsidiary		01/01/2019–12/31/2021				1.987			35		7.638	4.996		
EDP Comercializadora	Subsidiary		01/01/2019–12/31/2021			201					980	1.754	1.366		
Enerpeixe	Subsidiary		01/01/2019–12/31/2021			153	401				289	2.058	1.177		
Investco	Subsidiary		01/01/2019–12/31/2021			234	202				38	1.599	1.308		
EDP Transmissão	Subsidiary		01/01/2019–12/31/2021			70						580	807		
EDP Varejista	Subsidiary		01/01/2019–12/31/2021			30	268				150	301	1.045		
Sharing of the Neweb platform (e)															
EDP Portugal	Parent company		Undetermined					5.874	2.329						
Reimbursement of insurance premium															
Investco	Subsidiary		31/03/2019										(28)		
EDP São Paulo	Subsidiary		31/03/2019										(525)		
EDP Espírito Santo	Subsidiary		31/03/2019										(455)		
EDP Soluções	Subsidiary		31/03/2019										(33)		
EDP Transmissão	Subsidiary		31/03/2019										(3)		
EDP Comercializadora	Subsidiary		31/03/2019										(14)		
EDP Varejista	Subsidiary		31/03/2019										(4)		
EDP GRID	Subsidiary		31/03/2019										(11)		
Lajeado	Subsidiary		31/03/2019										(4)		
Instituto EDP	Associated Company		31/03/2019										(6)		
Porto do Pecém	Subsidiary		31/03/2019										(112)		
EDP Transmissão MA I	Subsidiary		31/03/2019										(2)		
EDP Transmissão MA I	Subsidiary		31/03/2019										(2)		
EDP Transmissão SP-MG	Subsidiary		31/03/2019										(3)		
EDP Transmissão Aliança	Subsidiary		31/03/2019										(4)		
				8.293	5.481	17.478	22.004	44.591	35.776	2.854	10.237	104.000	53.520	(6.126)	(6.768)
				8.293	121.672	589.652	240.621	44.591	35.776	2.854	10.237	104.000	53.520	3.678	6.318

				Consolidated											
				Assets				Liabilities				Income (expenses)			
				Current		Non-current		Current		Non-current		Operating		Financial	
	Relationship	Price practiced	Duration	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
Loans receivable															
Loan agreements - 100–110% CDI															
Pecém OM	Jointly-controlled subsidiary		From December 05, 2011 to an undefined date				1.468							37	90
Mabe	Jointly-controlled subsidiary		10/04/2013–12/31/2021				23.108							663	1.343
				-	-	-	24.576	-	-	-	-	-	-	700	1.433
Accounts receivable (Note 7)															
Electricity supply															
Cachoeira Caldeirão	Jointly-controlled subsidiary	140,76	01/01/2017–12/31/2046	429	412							5.069	4.847		
Cachoeira Caldeirão	Jointly-controlled subsidiary		07/01/2019–12/31/2019		3.437								20.402		
CEJA	Jointly-controlled subsidiary	121,10	01/01/2017–12/31/2046	57	55							679	55		
ECE Participações	Jointly-controlled subsidiary (*)		07/01/2019–12/31/2019		4.583								4.583		
São Manoel	Jointly-controlled subsidiary		07/01/2019–12/31/2019		87								87		
Energest	Subsidiary		08/01/2005–07/17/2025		8.500										
Grid use charge															
ECE Participações	Jointly-controlled subsidiary (*)		02/09/2019–02/10/2047										18		
São Manoel	Jointly-controlled subsidiary		02/09/2019–02/10/2047		5								65		
Cachoeira Caldeirão	Jointly-controlled subsidiary		02/09/2019–02/10/2047		2								2		
				486	17.081	-	-	-	-	-	-	5.748	30.059	-	-
Suppliers (Note 24)															
Electricity supply															
CEJA	Jointly-controlled subsidiary	174,22	01/01/2015–12/31/2044					641	690			(5.769)			
CEJA	Jointly-controlled subsidiary								993						
Energest	Subsidiary		Sundry						1.740						
São Manoel	Jointly-controlled subsidiary		05/01/2018–12/31/2038					2.884	3.464			(37.559)	(36.359)		
São Manoel	Jointly-controlled subsidiary	116,71	04/26/2018–12/31/2047					162	172			(1.481)	(1.418)		
Use of transmission system															
CEJA	Jointly-controlled subsidiary		01/04/2020–01/31/2033	2								20			
CEJA	Jointly-controlled subsidiary		02/09/2019–01/31/2033	1								17			
Cachoeira Caldeirão	Jointly-controlled subsidiary		01/04/2020–01/31/2033	1								13			
Cachoeira Caldeirão	Jointly-controlled subsidiary		02/09/2019–01/31/2033	1								11			
Pecém OM	Jointly-controlled subsidiary		Undetermined									(5.037)	(4.684)		
				5	-	-	-	3.687	7.059	-	-	(49.785)	(42.461)	-	-
Other receivables and other accounts payable (Note 16)															
Human Resources Sharing Agreement (a)															
CEJA	Jointly-controlled subsidiary		01/01/2018–12/31/2021			16	53			236	426	(689)	(94)		
São Manoel	Jointly-controlled subsidiary		05/01/2018–12/31/2021			251	220				198	1.453			
Agreement of consulting services															
EDP Renováveis	Related party		From 06/01/2017 to an undefined date	339		270	288						234		
Advance to consumers															
Energest	Subsidiary		Undetermined				1.848		10.611		8.515				

				Consolidated											
				Assets				Liabilities				Income (expenses)			
				Current		Non-current		Current		Non-current		Operating		Financial	
	Relationship	Price practiced	Duration	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
Service agreement (d)															
EDP Portugal	Parent company		Undetermined	7.954	5.122			36.772	31.853	1.098	446	(2.951)	(12.647)	(6.126)	(6.800)
São Manoel	Jointly-controlled subsidiary		05/01/2014–04/30/2019			44						569			
ECE Participações	Jointly-controlled subsidiary		01/01/2019–12/31/2022										412		
CEJA	Jointly-controlled subsidiary		01/01/2019–12/31/2022			43	124					569	(41)		
Cachoeira Caldeirão	Related party		01/01/2019–12/31/2022			43						565	369		
EDP Valor	Related party		Undetermined					3.794	2.328				(2.238)		
Elebrás	Related party		01/01/2019–03/31/2023	49	26							219	123		
Cenaeel	Related party		01/01/2019–03/31/2023	10								43	24		
Baixa do Feijão I	Related party		01/01/2019–03/31/2023	21								94	53		
Baixa do Feijão II	Related party		01/01/2019–03/31/2023	21								94	53		
Baixa do Feijão II	Related party		01/01/2019–03/31/2023	21								94	53		
Baixa do Feijão IV	Related party		01/01/2019–03/31/2023	21								94	53		
JAU	Related party		01/01/2019–03/31/2023	33								291	148		
Aventura I	Related party		01/01/2019–03/31/2023	20								83	42		
Babilônia I	Related party		01/01/2019–03/31/2023		10							31	56		
Babilônia II	Related party		01/01/2019–03/31/2023		10							31	56		
Babilônia III	Related party		01/01/2019–03/31/2023		10							31	56		
Babilônia IV	Related party		01/01/2019–03/31/2023		10							31	56		
Babilônia V	Related party		01/01/2019–03/31/2023		10							31	56		
Infrastructure Service Sharing (b)															
EDP Renováveis	Related party		07/29/2015–12/31/2021			18									
ECE Participações	Jointly-controlled subsidiary (*)		01/01/2015–12/31/2021										24		
CEJA	Jointly-controlled subsidiary		01/01/2015–12/31/2021										124		
Cachoeira Caldeirão	Jointly-controlled subsidiary						123						293		
Agreement for the Sharing of Backoffice Activities (c)															
Cachoeira Caldeirão	Jointly-controlled subsidiary		01/01/2019–12/31/2021			193	371			259	429	527	424		
São Manoel	Jointly-controlled subsidiary		05/01/2019–12/31/2021										1.258		
Pecém TM	Jointly-controlled subsidiary		05/01/2015–05/01/2025		6.010					690	1.550	1.012	1.142		
Pecém OM	Jointly-controlled subsidiary		05/01/2015–05/01/2025	351	1.225	75						430	430		
Mabe	Jointly-controlled subsidiary		05/01/2015–05/01/2020	1.310	1.311										
ECE Participações	Jointly-controlled subsidiary (*)		01/01/2019–12/31/2019										500		
Sharing of the Neweb platform (e)															
EDP Portugal	Parent company		Undetermined					5.874	4.490					(530)	
				10.150	13.744	953	3.027	46.440	49.282	2.283	11.564	2.652	(8.981)	(6.656)	(6.800)
				10.641	30.825	953	27.603	50.127	56.341	2.283	11.564	(41.385)	(21.383)	(5.956)	(5.367)

(*) Merged by CEJA on November 30, 2019.

Related-party transactions were made under conditions compatible with market conditions.

The collateral sureties and guarantees provided by the Company are described in the Note on Guarantees (Note 39.2).

Transactions made with counterparties below were carried out in the normal course of business, without any incremental profit margin.

(a) Human Resources Sharing Agreement: From January 1, 2018, EDP - Energias do Brasil is responsible for contracting a new Human Resources Sharing Agreement which include the corporate areas' activities. The contract was approved by ANEEL by means of the Order 1329 published on June 14, 2018, and approves a human resources sharing agreement between EDP - Energias do Brasil and related parties EDP São Paulo, EDP Espírito Santo, EDP Comercializadora, Energest, Investco, Lajeado, Santa Fé, EDP PCH and Porto do Pecém. Due to the disposal of Santa Fé and of EDP PCH in December 2018, as of 2019 these are excluded from the sharing.

The agreement was effective until December 31, 2019 and was implemented using the regulatory criterion defined in ANEEL (Brazilian Electricity Regulatory Agency) Normative Resolution no. 699/16. The new criteria allocates the personal expenditure proportionally to the gross property, plant and equipment (AIB), weighted by a factor set for each segment (distribution and generation) and excluding the holding and trader expenditures, which are shared in advance.

ANEEL expressed its position by informing that the prior consent is no longer required for the conclusion of the amendment to the Human Resources Sharing agreement, which will now share personnel expenses between EDP - Energias do Brasil and related parties EDP São Paulo, EDP Espírito Santo, EDP Comercializadora, Energest, Investco, Lajeado, Porto do Pecém, EDP Transmissão, EDP Transmissão Aliança SC, EDP Transmissão MA I, EDP Transmissão MA II, e EDP Transmissão SP-MG. The agreement will keep the regulatory apportionment criterion as above and its new effectiveness will be until December 2021.

Additionally, starting January 01, 2020, with a term of 24 months, a Human Resources Sharing Agreement was signed among the Company, subsidiaries EDP Varejista, EDP GRID and EDP Soluções, without the need for prior consent by ANEEL, using the criterion of allocation of expenditures according to the percentage of dedication of the activity, process or department to the related parties.

(b) Agreements for Sharing of Infrastructure Services: The purpose of the instrument is to apportion property lease costs, condominium fees and telecommunications expenditures.

On July 28, 2015, through Order 2430, ANEEL agreed to the request and stipulated the term of 48 months from the date of publication of the Order. However, the Company was authorized to share only starting from August 2015. On September 16, 2015, the Company requested ANEEL to agree to the Terms of Discharge and Other Covenants, aiming to approve payments for the period from January to July, of the Agreements for Assigning Space and Sharing Infrastructure Services, since they were approved without retroactivity. The order was approved by ANEEL on April 25, 2016, through Order 987/16.

EDP – Energias do Brasil and related parties EDP Comercializadora, EDP Transmissão, EDP Transmissão MA I, EDP Transmissão MA II, EDP Transmissão Aliança, EDP Transmissão SP-MG, Instituto EDP, Investco, Lajeado, ECE Participações, CEJA, Cachoeira Caldeirão, São Manoel, EDP Soluções, and EDP GRID also signed contracts with the same object, however, they did not need to receive prior approval by ANEEL, since the parties are not delegates of the public electricity service, as established in Normative Resolution 334/08, valid at the time the contracts were signed, which regulated legal acts and business between related parties. These contracts ended on December 31, 2018.

An infrastructure sharing agreement was signed for a period of 36 months from January 01, 2019 for the Companies EDP - Energias do Brasil and its related parties EDP Comercializadora, EDP GRID, EDP Soluções, Lajeado, Porto do Pecém, Investco, EDP Varejista, and Instituto EDP, considering the same criteria previously adopted.

Additionally, in August 2019, ANEEL's consent was published, through Order 2.636/2019, entering into an agreement for the sharing of space and infrastructure services between EDP Energias do Brasil and related parties EDP São Paulo, EDP Espírito Santo, Energest, EDP Transmissão, EDP Transmissão Aliança SC, EDP Transmissão MA I, EDP Transmissão MA II, and EDP Transmissão SP-MG, valid for 29 months, using the regulatory criteria provided for in Normative Resolution 699/16.

The apportionment percentages must be reviewed annually and, in case of changes, the contractual addenda must be submitted to the prior consent of ANEEL.

(c) Service agreements

The agencies responsible for control and respective supervision of these agreements are the Corporate Governance Committee and Related Parties, the Board of Directors and the Company's internal area dedicated to verification and checking of imported and exported services.

Every imported or exported service is subjected to a rigorous analysis that requires interaction of the area dedicated to verification and checking with other internal areas of the Company that imported and exported the service. It is ascertained whether the time spent in activities, the number of beneficiaries and the volume of aggregate businesses show effectively the spent by employees to carry out the activities in question.

EDP Portugal

The amounts refer to consulting service and management support agreements mutually executed between the Company and its controlling shareholder EDP – Energias de Portugal S.A. These contracts aim: (i) cost sharing, structure, knowledge and technology, thus allowing a greater synergy between the companies in the group; (ii) preventing any idle staff capacity; (iii) lowering procurement costs of certain services in relation to the market average; and (iv) preventing third-party access to strategic issues or technology information owned by contracting parties.

EDP Comercializadora, Enerpeixe, Investco, Lajeado, Cachoeira Caldeirão, CEJA, EDP Transmissão, and EDP Transmissão MA II

The purpose of the agreements is to provide services related to the operating processes of the power plant, lines, substations and related equipment, as well as the intermediation with the National System Operator - ONS, which is effective for 36 months, starting on January 1, 2019 and ending on December 31, 2021, by EDP - Energias do Brasil as assignor, with EDP Comercializadora being the assignee, and an amendment was signed on October 1, 2019, date of the beginning of the service provision, and EDP Comercializadora was transferred to the assignor. The operation processes are divided between pre-operation services, post-operation services, real-time information supervision services, regulation, control system and infrastructure via Operation Center, automation and telecommunications.

EDP Comercializadora, EDP Transmissão Aliança, EDP Transmissão MA, and EDP Transmissão SP- MG

ANEEL – through the following orders – consented to enter into the contract for the provision of remote operation services with the Company related to the "Real Time" modality, in a regime of continuous twenty-four hour shifts, seven days a week, for a period of 36 months: (i) Order 1962, as of July 3, 2020, with EDP Transmissão Aliança, with total contractual amount of R$ 1,726; (i) Order 2943, as of October 14, 2020, with EDP Transmissão MA I, with total contractual amount of R$ 1,769; and (iii) Order 3036, as of October 22, 2020, with EDP Transmissão SP-MG, with total contractual amount of R$ 1,785.

(c) Agreement for the Sharing of Backoffice Activities: The purpose of the instrument is to apportion costs with materials, services rendered and other expenditures associated with back-office activities, such as the administrative, financial, accounting and legal functions and others.

The apportionment criterion considers drivers that weigh the effort of each area for each company, which was supported by an independent specialized consulting firm and involves the following related parties: EDP - Energias do Brasil and its subsidiaries EDP São Paulo, EDP Espírito Santo, EDP Comercializadora, Energest, Investco, Lajeado and Porto do Pecém. Due to the disposal of Santa Fé and of EDP PCH in December 2018, as of 2019 these are excluded from the sharing.

On December 10, 2019, the back office sharing agreement was annulled by ANEEL, through Order No. 3.399, where its validity will refer to the years from 2019 to 2021 for EDP Energias do Brasil and its related parties: EDP São Paulo, EDP Espírito Santo, EDP Comercializadora, Energest, Investco, Lajeado, Porto do Pecém, EDP Transmissão, EDP Transmissão Aliança, EDP Transmissão MA I, EDP Transmissão MA II and EDP Transmissão SP-MG. The apportionment criterion considers the same aforementioned drivers, supported by an independent specialized consulting company.

This agreement does not need to be subject to previous ANEEL approval, pursuant to the terms of ANEEL Normative Resolution 699/16, reimbursement of negotiated contract does not exceed annual limit based on the net income of the subsidiaries.

(e) Sharing of the Neweb platform: The sharing is related to the license for the Neweb software, contracted by EDP Portugal for the purpose of hosting the different EDP Group websites in the world.

11.1 Direct and ultimate parent company

The ultimate parent company of the Company is EDP – Energias de Portugal S.A., which exerts its controlling through its subsidiaries EDP International Investments and Services, S.L. and EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda.

11.2 Management remuneration

11.2.1 Shares granted by the Company

In May 2016, July 2017, June 2018, July 2019 and July 2020, the Company created, Share-Based Payment Plan with similar characteristics, which grant future shares to its beneficiaries. Among them, there are statutory and non-statutory managers and executive officers and its subsidiaries, and in the results of 2020 of the Company the amount of R$ 1,935 (R$ 1,218 in 2019) is estimated to be reimbursed by the subsidiaries at the time of grant. The shares will be granted upon fulfillment of certain conditions within 3 or 5 years from the beginning of the plan.

11.2.2 Total remuneration of the Board of Directors, Tax Council and Statutory Board of Directors paid by the Company for the years ended December 31

	2020				2019			
	Statutory Board	Board of Directors	Tax Council	Total	Statutory Board	Board of Directors	Tax Council	Total
Remuneration (a)	6.496	1.431	206	8.133	5.896	1.284	216	7.396
Short-term benefits (b)	158			158	152			152
Benefits - Private pension plan	103			103	103			103
Total	6.757	1.431	206	8.394	6.151	1.284	216	7.651

(a) It is comprised of fixed and variable remuneration (bonus and profit sharing), besides the respective payroll charges.

(b) Represents the benefits with medical and dental care, medicine allowance, food and meal vouchers, and life insurance.

In relation to the granted shares (Note 32.3.1), the amount related to the statutory officers of the Company, estimated in the profit or loss for 2020, is R$ 972 (R$ 507 in 2019). The estimated amounts are only considered as the Statutory Board of Directors' remuneration in the chart above at the time of the effective grant of the Company's shares.

11.2.3 Maximum, minimum and average individual remuneration of members of the Statutory Board of Directors and Executive Board at the years ended December 31

	Parent Company					
	2020			2019		
	Board of Directors	Statutory Board	Tax Council	Board of Directors	Statutory Board	Tax Council
No. of paid members	4,00	5,08	3,00	4,00	5,00	3,00
Amount of the highest individual remuneration	460	1.884	75	430	1.757	73
Amount of the lowest individual remuneration	18	152	57	256	670	70
Average amount of individual remuneration	358	1.330	69	321	1.230	72

12 Inventories

	Consolidated	
	12/31/2020	12/31/2019
Raw material and inputs for generation of electric power		
Charcoal	60.268	55.353
Diesel	1.702	2.351
CAL	246	259
Other	2.422	2.400
	64.638	60.363
Storeroom materials	87.726	79.119
Wastes and scrap	34.786	28.509
Photovoltaic kit	424	2.750
Inventory of work in progress	2.176	5.559
Other	15	7
(-) Estimated losses in the realization of inventories	(6.685)	(7.588)
	118.442	108.356
Total	183.080	168.719

Inventories are stated a cost or net realizable value, whichever is lower, less possible loss in the recoverable value. The method of valuation of Inventory is determined based on the weighted average cost method.

Materials used in the construction of the concession infrastructure are classified under the captions: (i) Concession assets at the distribution subsidiaries for the amount of R$ 63,258 on December 31, 2020 (R$ 46,336 at December 31, 2019); and (i) Property, plant and equipment, at the generation and service subsidiaries, for the amount of R$ 19,502 on December 31, 2020 (R$ 24,859 on December 31, 2019).

13 Pledges and restricted deposits

		Parent Company					
	Note	Balance at 12/31/2019	Addition	Restatement	Redemption	Write-off	Balance at 12/31/2020
Judicial deposits	31	11.391	1.257	189	(3.175)	(486)	9.176
Other pledges		264	350		(350)		264
Total		11.655	1.607	189	(3.525)	(486)	9.440
Current		222					222
Non-current		11.433					9.218

		Consolidated						
	Note	Balance at 12/31/2019	Assets held for sale	Addition	Restatement	Redemption	Write-off	Balance at 12/31/2020
Judicial deposits	9.6.3 and 31	386.760	3.996	31.240	10.539	(14.010)	(4.106)	414.419
Pledges linked to loans, financing and debentures	13.1	133.834		131.894	1.966	(258.368)		9.326
Other pledges		12.683	125	13.915	242	(12.797)		14.168
Total		533.277	4.121	177.049	12.747	(285.175)	(4.106)	437.913
Current		130.910						4.876
Non-current		402.367						433.037

13.1 Pledges and restricted deposits

The change in this item refers mainly to EDP Transmissão Aliança, resulting from the guarantee for the Implementation of the transmission line and substation project of ANEEL Auction 05/2016, lot 21. This deposit was released for free application after fulfillment of the contractual requirements of the debenture.

14 Dividends – Assets and liabilities

Dividends and interest on own capital (JSCP) payable are recognized in the shareholders' equity in following occasions: (i) JSCP (Interest on own capital) recorded as dividends: when approved by the Board of Directors; (ii) minimum mandatory dividends; at year-end, as provided for in the Company's Bylaws, possibly deducted from JSCP (Interest on own capital) already stated in the year; (ii) additional dividends: upon approval at Annual Shareholders' Meeting - AGO; and (iv) interim dividends and dividends from previous years: when approved by the Board of Directors or the Annual Shareholders' Meeting. Dividends receivable from subsidiaries, associated companies and jointly-controlled subsidiaries are recorded as an asset in the Company's financial statements, consistent with previously described liabilities' accounting practice.

The interest on own capital credits are initially recorded in finance expenses for tax purposes, and, concomitantly, reversed from this same line item as counterparty to shareholders' equity. Tax reduction generated by them is recognized in income for the year upon their credit. In relation to interest on own capital receivable, these are initially recorded in financial income for tax purposes, and, concomitantly, reserved from this same line item as counterparty to investment.

Parent Company

The General and Special Shareholders' Meeting - AGOE held on March 31, 2020 decided on the allocation of net income and dividend distribution for the year 2019. Said resolution is motivated by the publication of the Material Fact disclosed to the Market on March 25, 2020, as well as the resubmission of the Management Proposal, also on March 25, 2020, aiming to preserve the cash position and maintaining the Company's financial health.

The new Management proposal represents: (a) the decrease in the total amount to be distributed in the form of dividends, from R$604,806, corresponding to 47.59% of the Net Income for the year of 2019, to R$353,491, corresponding to 27.81% of the Net Income of the year of 2019, of which (i) R$236,000, corresponding to R$0.390207737 per common share, as interest on own capital, and (ii) R$117.491, corresponding to R$0.194262378 per common share, as dividends and; (b) the increase in the Profit Retention proposal, from R$666,153 to R$918,873, based on the capital budget, reviewed and approved by the Board of Directors, which also provides for a reduction in the investment originally forecast to R$1,903.420. Dividends were paid with no adjustment to Company's common shareholders on September 18, 2020, after the Annual Meeting held on September 23, 2020.

Changes to balance of dividends receivable and payable balance in the year are as follows:

	Parent Company								
		Dividends							
Assets	Balance at 12/31/2019	Complementary	Additional	Prior years	Interest on own capital	Receipts	Reversal	Capital increase	Balance at 12/31/2020
Energest	20.819	29.807	60.870		7.142	(81.689)			36.949
Enerpeixe	18.354	2.588	32.654		14.892	(51.008)			17.480
EDP Comercializadora	8.650	27.868				(8.650)			27.868
EDP São Paulo	83.061	46.672	238.652	238.348	46.896	(560.060)			93.569
EDP Espírito Santo	91.547	11.941	263.988		52.711	(355.535)			64.652
Lajeado Energia	15.798	31.806	29.495		9.033	(45.293)			40.839
EDP Varejista		477							477
EDP Transmissão	18.510						(9.140)		9.370
EDP Transmissão MA I	3.304						(3.304)		-
EDP Transmissão MA I	994						(994)		-
EDP Transmissão Aliança SC	5.965						(5.965)		-
EDP Transmissão SP-MG	15.205						(15.205)		-
Pecém TM	392		1					(392)	1
CEJA	11.088		31.509		16.037	(42.597)			16.037
CELESC	11.041		24.582			(15.974)			19.649
Porto Pecém	93.500		35.871		103.113	(129.371)			103.113
	398.228	151.159	717.622	238.348	249.824	(1.290.177)	(34.608)	(392)	430.004

	Parent Company					
		Dividends				
Liabilities	Balance at 12/31/2019	Complementary	Interest on own capital	Payments	Unrealized Payments	Balance at 12/31/2020
Non-controlling shareholders	161.344	102.684	64.375	(159.528)	391	169.266
EDP International Investments and Services, S.L.	88.455	65.031	40.769	(88.455)		105.800
EDP IS - Investimentos e Serviços, Sociedade Unipessoal Lda.	74.991	52.428	32.868	(74.991)		85.296
	324.790	220.143	138.012	(322.974)	391	360.362

	Consolidated					
		Dividends				
Assets	Balance at 12/31/2019	Additional	Interest on own capital	Receipts	Capital increase	Balance at 12/31/2020
Pecém TM	392				(392)	-
Celesc	11.041	24.582		(15.974)		19.649
CEJA	11.088	31.509	16.037	(42.597)		16.037
	22.521	56.091	16.037	(58.571)	(392)	35.686

	Consolidated								
		Dividends							
	Balance at 12/31/2019	Complementary	Additional	Interest on own capital	Founders' shares	Payments	Reversal	Unrealized Payments	Balance at 12/31/2020
Liabilities									
CEB Lajeado	1.171		4.564	3.742		(5.735)			3.742
Paulista Lajeado Energia	410		1.598	1.311		(2.008)			1.311
Eletrobras	56.395	95.002		9.563	26.784	(56.395)			131.349
Government of Tocantins	1.151	2.316	2.148	658		(3.299)			2.974
Furnas Centrais Elétricas	12.236	1.725	21.769	9.928		(34.005)			11.653
Celesc Geração	663						(663)		-
Non-controlling shareholders	164.124	102.684		64.375		(159.528)		391	172.046
EDP IS - Investimentos e Serviços, Sociedade Unipessoal Lda.	88.455	65.031		40.769		(88.455)			105.800
EDP International Investments and Services, S.L.	74.991	52.428		32.868		(74.991)			85.296
	399.596	319.186	30.079	163.214	26.784	(424.416)	(663)	391	514.171

15 EDP Comercializadora - Future commitments

The future commitment contracts, as they have a characteristic of settlement in energy readily convertible into a financial amount, they are classified as Financial Instruments, and they are recognized at fair value through profit or loss. As mentioned in Note 3.3.1, associated with strategic factors, the subsidiary changed the positioning for the sale of energy purchase and sale agreements, regarding the agents in understanding, up to 2019 being substantially within the subsidiary and, starting in 2020 also aiming to trade with other agents. In this sense, there was an accounting change related to the subsidiary's future commitment agreements, under standard CPC 48 – Financial Instruments.

In the year ended on December 31, 2020, the realization of the fair value of the aforementioned contracts, through the settlement between the purchase and sale of energy, generated a net income of R$ 245,810 recorded in Income for the year, and R$ 425,955 in the income and R$ 180,145 in expenses (Notes 33 and 34).

16 Other receivables – Assets and Other accounts payable – Liabilities

		Parent Company				Consolidated			
		Current		Non-current		Current		Non-current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other receivables - Assets									
Advances		94	113			19.241	10.847	671	17.783
Discount	16.1					57.001	76.262		
Tariff modicity - low income	16.2							8.055	8.055
Post-employment benefits								2	260
Assets for disposal/discontinuance		2.410	1.758			6.672	13.281		
Services in progress						5.442	5.196	481	491
Services rendered to third parties		343	1			67.880	41.809	868	1.307
Reimbursement of costs – CDE (Energy development account)/						73			
Collection agreements						4.836	5.388		
Related-party/shared services	11	8.293	5.481	17.478	22.004	10.150	13.744	953	3.027
Income receivable						3.429	4.475		
Risk premium - GSF	16.3					3.290	2.749	21.104	22.682
Securities receivable	16.8	1.435	523	26.122	25.292				
Other		7.091	9.733	2.883	2.675	33.867	48.436	7.315	8.109
Total		19.666	17.609	46.483	49.971	211.881	222.187	39.449	61.714

		Parent Company				Consolidated			
		Current		Non-current		Current		Non-current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other accounts payable – Liabilities									
Advances received - disposal of assets and rights						1.837	1.459		
Public lighting contribution	16.4					29.675	23.636		
Sundry creditors - consumers and concessionaires						49.329	42.297	645	
Payroll		1.166	990			8.398	6.947		
Tariff modicity - low income	16.2					472	481	9.810	9.810
ICMS credit assignment						330	330		
Third party collection to be transferred						14.252	13.205		
Related-party/shared services	11	44.591	35.776	2.854	10.237	46.440	49.282	2.283	11.564
Leases and rentals	16.7	1.019	3.412	195	1.553	30.621	45.133	40.177	51.432
Social charges and labor obligations	16.6	16.152	13.199			109.273	101.201		
Reserve for reversal and amortization						1.945	1.944	9.718	11.661
Advance for future capital increase	11								10.000
Advance of tariff discounts	16.1					10.242	4.045		
Other	16.9	3.434	3.459	200	202	48.479	16.523	34.567	2.244
Total		66.362	56.836	3.249	11.992	351.293	306.483	97.200	96.711

16.1 Advances and tariff discounts

This refers to discounts applied to customers in tariffs of consumer units, according to regulations by ANEEL through specific resolutions. The discounts are applied according to the classification of the activity of each consumer unit and are intended for allocation to low-income households registered with the Single CAD (Register) of the Federal Government, as an incentive to the improvement of agricultural production, and as discounts for essential public services, as is the case of the water, sewage and sanitation units.

At the same time as they determine the percentage of discount to be applied to the monthly billings of the consumer units, the orders for tariff readjustments also establish the subsidiaries' right to be reimbursed in the respective amounts through the economic grant mechanism, with funds originating from the Energy Development Account (Conta de Desenvolvimento Energético - CDE), as Law 10438/02.

Through Law 13360/16, beginning as of May 2017, management and transfer of funds is the responsibility of Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE).

ANEEL homologated amounts to be transferred to EDP São Paulo and EDP Espírito Santo through the following Ratifying Resolutions:

Ratifying Resolution	Periods	amount
EDP Espírito Santo		
ANEEL no. 2.589/19	Aug/19–Jul/20	24.352
ANEEL no. 2.749/20	Aug/20–Jul/21	20.523
EDP São Paulo		
ANEEL no. 2.629/19	Oct/19–Sep/20	8.663
ANEEL no. 2.790/20	Oct/20–Sep/21	7.868

See below the breakdown of the tariff discounts:

	Consolidated			
	Balance at 12/31/2019	Discount	Reimbursement	Balance at 12/31/2020
Low Income Grant	8.755	81.841	(74.567)	16.029
Incentivized Source Load Grant - Res. 77/04	18.398	184.572	(185.957)	17.013
Incentivized Source Generation Grant - Res. 77/04	1.993	8.003	(9.122)	874
Rural Grant	33.797	107.956	(108.580)	33.173
Irrigator/Fish Farmer Grant - Res. 207/06	(3.219)	33.266	(52.991)	(22.944)
Water/Sewage/Sanitation Grant – Order 3629/11	15.481	24.140	(26.749)	12.872
Distribution Grant - TUSD (Tariff for Use of the Distribution System) wire B	(2.988)	968	(8.238)	(10.258)
	72.217	440.746	(466.204)	46.759

Additionally, below we show the breakdown by portion of the tariff discount:

	EDP Espírito Santo	EDP São Paulo	Balance at 12/31/2020	Balance at 12/31/2019
Monthly installment	20.406	9.409	29.815	40.760
Portion of approved adjustments	3.824	(7.868)	(4.044)	13.334
Portion of adjustments to be approved	4.527	432	4.959	9.368
Balance of low income grant	6.407	9.622	16.029	8.755
	35.164	11.595	46.759	72.217

In 2019, there was a change in EDP São Paulo mainly due to the Source Incentive Charge subsidy established by Resolution 77/2004 received have been estimated by ANEEL, in an amount higher than the amount actually paid.

16.2 Affordable rates – low-income – Consolidated

In compliance with Notification Term 1091/05, whereby the São Paulo State Energy and Sanitation Regulatory Agency (ARSESP) determined the correction of registration criteria for metering equipment installed at residential consumer units, changing from two-phase to single-phase with retroactive effect to the year 2002, EDP São Paulo, in the periods of 2008 and 2010, carried out the revision of the billings under the condition of "Low-Income Residential", referring to amounts to be returned to consumers originally billed without the respective discount of the "social tariff".

The repayment to consumers began to be made as of the invoicing of March 2009, with the sum of R$ 19,473 having been repaid by December 31, 2020 (R$ 19,464 on December 31, 2019). The balance repayable to consumers on December 31, 2020, of active and inactive consumer units, is R$ 10,282 (R$ 10,291 on December 31, 2019).

As refunds are made by offsetting monthly invoices (electricity bills), for cases of inactive consumer units, measures by EDP São Paulo are required to identify the customer's new location in order to make the refund.

Moreover, the regulations establish the right of EDP São Paulo to claim back these reimbursements to consumers, as an economic grant, net of the aforesaid taxes and established deductions.

EDP São Paulo has a balance receivable on December 31, 2020 of R$ 8,055 (R$ 8,055 on December 31, 2019), which will be realized as the repayments are made to consumers besides being validated by ARSESP and ratified by ANEEL.

16.3 Risk premium - GSF

Due to adhesion to renegotiation of hydrological risk in the Regulated Contracting Environment, the balance of current and non-current assets refers to premiums equivalent to amount paid as GSF for the period from January to December 2015, amortized under the straight-line basis.

The changes during the year are as follows:

Subsidiaries	Amortization periods	Balance at 12/31/2019	Amortization	Transfer to Asset held for sale (Note 17)	Balance at 12/31/2020
Lajeado	Jan2015–Mar2029	24.989	(2.702)		22.287
Investco	Jan2015–Mar2029	442	(48)		394
Energest	Jan2015–Feb2024	-	(540)	2.253	1.713
Total		25.431	(3.290)	2.253	24.394
Current		2.749			3.290
Non-current		22.682			21.104

16.4 Public lighting contribution

This refers to the Contribution to Fund the Street Lighting Service - CIP, whose purpose consists of the street lighting facility design, implementation, expansion, operation and maintenance services. It is charged to consumers, in conformity with the provisions established in municipal law, collected by the distributors and transferred monthly to the Municipal authorities, as provided in Article 149-A of the Federal Constitution.

16.5 Social and labor obligations

These are related to the sums of provision and vacation pay, provision for profit sharing and results and its respective INSS and FGTS.

16.6 Reserve for reversal and amortization

Refers to resourced derived from the Reserve for reversal and amortization, set up until December 31, 1971 under the terms of the regulation of Public Electric Power Service (SPEE) (Federal Decree 41019/57), applied by EDP São Paulo in the expansion of the Public Electric Power Service. With regard to the Fund for reversal, 5% interest p.a. is charged on the reserve amount and paid monthly. The amortization of principal awaited resolutions from the Concession Grantor.

Decree-Law 9022/17 determined that the Concessionaires, which had funds corresponding to the reversal fund, should fully amortize their debits by December 31, 2026, with Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE).

The amortizations began in January 2018 and the amount related to principal and interest, of the next 12 installments, were transferred from non-current to current.

16.7 Leases and rentals

As a result of the adoption of CPC 06(R2) as of January 1, 2019, the Company and its subsidiaries recorded the amounts payable under the lease and rental agreements, as shown below:

	Parent Company								
	Balance at 12/31/2019	Additions	Payments	Interest and inflation adjustment	Transfers	AVP	Decreases	Reversal	Balance at 12/31/2020
Buildings	3.064	439	(1.680)	(581)	1.242	1	(76)	(1.390)	1.019
Vehicles	348		(318)	(125)	8	10	77		-
Total current	3.412	439	(1.998)	(706)	1.250	11	1	(1.390)	1.019
Buildings	1.545			65	(1.242)	116		(289)	195
Vehicles	8				(8)				-
Total non-current	1.553	-	-	65	(1.250)	116	-	(289)	195
	4.965	439	(1.998)	(641)	-	127	1	(1.679)	1.214

	Consolidated									
	Balance at 12/31/2019	Additions	Payments	Interest and inflation adjustment	Transfers	AVP	Transfer of Assets held for sale (Note 17)	Decreases	Reversal	Balance at 12/31/2020
Buildings	24.445	5.205	(23.008)	(8.164)	16.772	1.323	31	(491)	(1.401)	14.712
IT equipment	135		(10)	(112)		2		(15)		-
Machinery and equipment	7.100	2.411	(5.145)	(111)	5.536	234		(40)	(2.891)	7.094
Vehicles	13.453	3.007	(6.086)	(3.259)	3.526	597	671	(3.094)		8.815
Total current	45.133	10.623	(34.249)	(11.646)	25.834	2.156	702	(3.640)	(4.292)	30.621
Buildings	39.087	913		3.783	(16.772)	3.171	31		(289)	29.924
Machinery and equipment	10.025	176		414	(5.536)	1.022				6.101
Vehicles	2.320	307		4.433	(3.526)	605	13			4.152
Total non-current	51.432	1.396	-	8.630	(25.834)	4.798	44	-	(289)	40.177
	96.565	12.019	(34.249)	(3.016)	-	6.954	746	(3.640)	(4.581)	70.798

The amounts recorded in liabilities are restated by the Market General Price Index (Índice Geral de Preços do Mercado - IGP-M) and are adjusted to present value at the rates representing the cost of financing the respective leased assets.
The rates aforementioned, as well as the maturity of said leases and rentals consider the following future payment flow as follows:

	Parent Company		Consolidated					
	Buildings		Buildings		Machinery and equipment		Vehicles	
	Amount	Rates (%)	Amount	Rates (%)	Amount	Rates (%)	Amount	Rates (%)
2020			81	8,70%				
2021	984	8,85%	14.257	9,14%	6.952	10,09%	8.711	9,58%
Embedded interest	35		374		142		104	
Total current	1.019		14.712		7.094		8.815	
2021			49	9,16%				
2022	140	9,81%	6.780	9,93%	5.444	10,11%	3.769	9,59%
2023	34	9,81%	5.440	10,23%	162		26	
2024			4.168	10,55%				
2025			2.595	10,83%				
2025–2037			8.033	11,28%				
Embedded interest	21		2.859		495		357	
Total non-current	195		29.924		6.101		4.152	

The potential right of PIS/COFINS to be recovered, embedded in the lease/rental consideration, according to the periods provided for payment, are shown below:

	Parent Company		Consolidated	
Cash flows	Nominal	With AVP	Nominal	With AVP
Lease consideration	1.270	1.214	104.927	70.798
Potential PIS/COFINS (9.25%)	(117)	(112)	(9.706)	(6.549)

The lease and rental agreements were recorded as a contraentry to property, plant and equipment, as “Right-of-use assets” (Note 22.1.1).

16.8 Accounts receivable

	Parent Company			
	Current		Non-current	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Preference and redeemable shares of "A", "B" and "C" classes	1.435	523	60.232	61.550
Preference and redeemable shares of "A", "B" and "C" classes			(34.110)	(36.258)
Total	1.435	523	26.122	25.292

Refer to Redeemable preferred shares of “A”, “B”, and “C” shares, issued by Investco in the original amount of R$ 43,964, where, according to the article eight of Investco’s By-laws, such shareholders are entitled to the right of receiving a cumulative fixed annual dividend of 3% on their respective interest in capital.
In addition, according to Article 9 of redeemable preferred shares of "A" and "C" classes will be entitled to equalization upon distribution of dividends in case dividends are paid to other classes of shares higher than unit value of fixed annual dividends.
Balance on December 31, 2020 of R$ 27,557 (R$ 25,815 as of December 31, 2019) contemplates the original amount and interest up to 2033 (end of concession), both of them discounted at present value at the rate of 8.70% p.a., which is equivalent to average funding cost of Investco on the date shares are evaluated.

Due to its characteristics, these shares were classified as receivable financial instruments as they meet the definition of financial assets, since Investco does not have the right to avoid the remittance of cash or other financial asset to the Company, as determined in item 19 of CPC 39.

16.9 Other

The amount in Current and Non-Current refers substantially to the advance of income relating to the customer infrastructure sharing agreement with EDP São Paulo.

17 Non-current assets and liabilities held for sale

The assets and liabilities related to the subsidiary Energest were presented in the non-current groups held for sale as of June 2019. In view of the economic scenario arising from COVID-19 (Note 4.8), on June 30, 2020, Company Management declined on the intention to dispose of its stake in the Energest SA investment, which is now once again included in the consolidated accounts of Grupo EDP - Energias do Brasil.

18 Investments and provision for unsecured liability

The financial statements of the Parent company, the investments in jointly-controlled subsidiaries and associated companies with a percentage of the voting capital above 20% or with significant influence, are valued by the equity method.

• **Subsidiaries**

Subsidiaries are all entities (including specific purpose entities) that the Company is exposed or has the right to establish the financial and operating policies to obtain variable returns from its activities.

• **Associated companies and jointly-controlled subsidiaries**

Associated companies are all entities over which the Company has significant influence but not control, generally through an ownership interest of 20% to 50% of the voting rights.

Jointly-controlled subsidiaries are all entities over which the Company has joint control with one or more parties. Investments in joint arrangements are classified as joint ventures depending on each investor's rights and liabilities relating to the arrangement.

The investments of Grupo EDP - Energias do Brasil in associated companies and joint ventures includes the goodwill identified on acquisition, net of any accumulated impairment losses.

The Company's share of the profits or losses of its associated companies and jointly-controlled subsidiaries is recognized in the statement of income, and the share in Other comprehensive income is recognized directly against the Company's shareholders' equity. When the Company's share of the losses of an associated company or jointly-controlled subsidiaries is equal to or exceeds the book value of the investment, including any other receivables, the Company does not recognize any additional losses unless the Company has assumed liabilities or made payments to the associated company or jointly-controlled subsidiary.

Unrealized gains from transactions between the Grupo EDP - Energias do Brasil and its associated companies and jointly-controlled subsidiaries are eliminated to the extent of the Grupo EDP - Energias do Brasil's interest in them. Non-realized losses are also eliminated, unless the transaction shall provide evidence of a loss (impairment) of the transferred asset. The accounting policies of associated companies and jointly-controlled subsidiaries are altered, where necessary, to ensure consistency with the policies adopted by Grupo EDP - Energias do Brasil.

• **Business combination**

A business combination occurs through an event in which the Company and its subsidiaries acquire control of a new asset (business), regardless of its legal form. Upon acquisition, acquiring Company must recognize and measure identifiable acquired assets, assumed liabilities and income from ownership interest at fair value, which will result in recognition of an asset due to expected future earnings (goodwill) or in gain deriving from bargain purchase and it is recorded in income (loss) for the year. Costs generated by acquisition of assets shall be recognized directly in income, as incurred.

18.1 Changes in investments and Provision for unsecured liabilities

	Parent Company										
	Balance at 12/31/2019	Additions	Write-off / Amortizations	Equity in net income of subsidiaries	Dividends/ Interest on own capital	Other comprehensive income	Other	Transfer	Balance at 12/31/2020	% Direct interest 12/31/2020	% Direct interest 12/31/2019
Investments											
EDP São Paulo	1.243.488			374.274	(578.844)	(50.955)			987.963	100,00	100,00
EDP Espírito Santo	1.054.189			282.257	(337.942)	84.457			1.082.961	100,00	100,00
Lajeado Energia	169.391			118.211	(71.928)	19			215.693	55,86	55,86
Lajeado Energia (Surplus)	100.299			(2.682)			(1.598)		96.019	55,86	55,86
EDP Transmissão	37.774			6.276	9.139				53.189	100,00	100,00
EDP Transmissão MA I	48.162	48.348		34.375	3.305				134.190	100,00	100,00
EDP Transmissão MA I	32.920	1.403		14.546	994				49.863	100,00	100,00
EDP Transmissão Aliança	45.535	90.000		73.226	5.965				214.726	90,00	90,00
EDP Transmissão SP-MG	82.589			93.991	15.205				191.785	100,00	100,00
Enerpeixe	381.408			69.919	(52.762)				398.565	60,00	60,00
Energest (Note 17)	-			172.018	(99.080)	1.682	4.408	240.129	319.157	100,00	100,00
EDP Comercializadora	220.789			112.361	(27.868)				305.282	100,00	100,00
EDP Varejista	4.861			2.008	(477)				6.392	100,00	100,00
CEJA	462.293			45.091	(50.376)				457.008	50,00	50,00
CEJA (Surplus)	168.069			(6.723)					161.346	50,00	50,00
Cachoeira Caldeirão	302.848			(13.554)					289.294	50,00	50,00
Cachoeira Caldeirão (Surplus)	1.520			(53)					1.467	50,00	50,00
Porto do Pecém	2.475.701			294.938	(157.181)	233			2.613.691	100,00	100,00
Porto do Pecém (Surplus)	330.633			(19.936)					310.697	100,00	100,00
P. Pecém Transp. Minérios	4.590			3	392				4.985	50,00	50,00
Pecém Operações e Manutenção	435	2.763		303					3.501	50,00	50,00
Resende	21.194	20		(15)					21.199	100,00	100,00
EDP Grid	83.165	19.700		(8.348)		(1.395)			93.122	100,00	100,00
Mabe	-							1.136	1.136	50,00	50,00
CELESC (*)	500.325	73.263		92.382	(28.042)	(155.174)			482.754	29,90	23,56
São Manoel	657.125			(26.825)					630.300	33,334	33,334
EDP Ventures	2.311	3.500		(896)					4.915	100,00	100,00
	8.431.614	238.997	-	1.707.147	(1.369.500)	(121.133)	2.810	241.265	9.131.200		
Concession right (Note 18.1.1)											
EDP São Paulo	12.755		(1.458)						11.297		
Enerpeixe	1.954		(116)						1.838		
Lajeado	68.657		(5.276)						63.381		
	83.366	-	(6.850)	-	-	-	-	-	76.516		
Total investments	8.514.980	238.997	(6.850)	1.707.147	(1.369.500)	(121.133)	2.810	241.265	9.207.716		
Provision for unsecured liabilities											
Mabe	(11.046)	22.846		(10.664)				(1.136)	-	50,00	50,00
Total provision for unsecured liabilities	(11.046)	22.846	-	(10.664)	-	-	-	(1.136)	-		
Net investment	8.503.934	261.843	(6.850)	1.696.483	(1.369.500)	(121.133)	2.810	240.129	9.207.716		

(*) The amount of R$ 500,325 refers to the investment in the Parent Company in the period ended on September 30, 2019.

	Consolidated						
	Balance at 12/31/2019	Additions	Equity in net income of subsidiaries	Dividends/ Interest on own capital	Other comprehensive income	Transfer	Balance at 12/31/2020
Investments							
EDP - Energias do Brasil							
CELESC	500.325	73.263	92.382	(28.042)	(155.174)		482.754
Pecém TM	4.590		3	392			4.985
Pecém Operações e Manutenção	435	2.763	303				3.501
CEJA	462.291		45.091	(50.376)			457.006
CEJA (Surplus)	168.069		(6.723)				161.346
Cachoeira Caldeirão	302.848		(13.554)				289.294
Cachoeira Caldeirão (Surplus)	1.520		(53)				1.467
Mabe	-					1.136	1.136
São Manoel	657.125		(26.825)				630.300
BB	470						470
Total investments	2.097.673	76.026	90.624	(78.026)	(155.174)	1.136	2.032.259

	Balance at 12/31/2019	Additions	Equity in net income of subsidiaries	Dividends/ Interest on own capital	Other comprehensive income	Transfer	Balance at 12/31/2020
Provision for unsecured liabilities							
Mabe	(11.046)	22.846	(10.664)			(1.136)	-
Total provision for unsecured liabilities	(11.046)	22.846	(10.664)	-	-	(1.136)	-
Net investment	2.086.627	98.872	79.960	(78.026)	(155.174)	-	2.032.259

18.1.1 Concession right

According to ICPC 09, Concession Rights are classified as investments in the parent company. For consolidation purposes, they are classified as intangible assets (Note 23.1.3).

18.2 Direct interests in investments

	Shares / Quotas owned by the Company (In thousands)				% of Company's ownership interest						Liabilities (Current and non-current)		Shareholders' equity (unsecured liability)		Income		Net income (loss) for the year	
	12/31/2020		12/31/2019		12/31/2020		12/31/2019		Total assets									
Company	Ordinary / Quotas	Preferred shares	Ordinary / Quotas	Preferred shares	Paid-up capital	Voting capital	Paid-up capital	Voting capital	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	2020	2019	2020	2019
EDP São Paulo	39.091.735		39.091.735		100,00	100,00	100,00	100,00	6.097.354	5.513.653	5.109.391	4.270.165	987.963	1.243.488	4.668.637	4.403.520	374.274	343.103
EDP Espírito Santo	5.876		5.876		100,00	100,00	100,00	100,00	5.313.967	5.098.201	4.231.006	4.044.012	1.082.961	1.054.189	3.804.732	3.834.943	282.257	395.259
Energest	48.205		48.205		100,00	100,00	100,00	100,00	540.841	337.333	221.686	97.205	319.155	240.128	269.977	467.052	176.424	111.186
Lajeado	113.690		113.690		55,86	100,00	55,86	100,00	1.270.771	1.288.695	593.939	669.538	676.832	619.157	651.036	838.100	267.844	169.429
CEJA	12.897		12.897		50,00	50,00	50,00	50,00	1.735.290	1.778.367	821.276	853.784	914.014	924.583	275.301	23.275	90.183	93.377
Enerpeixe	499.951		499.951		60,00	60,00	60,00	60,00	2.235.392	2.031.331	1.571.115	1.395.650	664.277	635.681	303.132	407.564	116.532	120.259
Cachoeira Caldeirão	364.000		364.000		50,00	50,00	50,00	50,00	1.420.297	1.441.599	841.707	835.901	578.590	605.698	142.536	139.233	(27.108)	(23.772)
EDP Comercializadora	32.606		32.606		100,00	100,00	100,00	100,00	1.589.841	839.234	1.284.559	618.444	305.282	220.790	3.998.784	3.890.091	112.360	62.149
EDP Varejista	4.531		4.531		100,00	100,00	100,00	100,00	17.542	7.406	11.150	2.545	6.392	4.861	74.514	5.852	2.008	(583)
EDP GRID	10		10		100,00	100,00	100,00	100,00	320.971	263.591	227.848	178.999	93.123	84.592	27.127	25.140	(9.774)	(1.651)
Porto do Pecém	2.368.998		2.368.998		100,00	100,00	100,00	100,00	3.967.706	4.184.773	1.354.015	1.709.072	2.613.691	2.475.701	1.745.036	1.983.919	294.938	186.738
Pecém TM	1.682		1.682		50,00	50,00	50,00	50,00	16.687	24.148	6.715	14.964	9.972	9.184	19.448	30.057	7	2.063
Pecém OM	3.527		763		50,00	50,00	50,00	50,00	8.824	9.391	1.825	8.523	6.999	868	7.576	7.687	606	369
São Manoel	803.341		803.341		33,33	33,33	33,33	33,33	3.916.985	3.961.018	2.026.122	1.989.681	1.890.863	1.971.337	360.656	382.499	(80.474)	(13.216)
Mabe	283.076		260.285		50,00	50,00	50,00	50,00	9.680	88.860	7.407	110.953	2.273	(22.093)			(23.072)	(6.380)
Resende	21.573		21.553		100,00	100,00	100,00	100,00	21.200	21.214	1	20	21.199	21.194			(15)	(15)
EDP Transmissão	1		1		100,00	100,00	100,00	100,00	268.994	241.030	215.805	203.256	53.189	37.774	30.776	85.416	6.276	37.790
EDP Transmissão MA I	85.649		85.649		100,00	100,00	100,00	100,00	572.918	266.072	438.728	217.909	134.190	48.163	264.826	222.488	34.375	13.914
EDP Transmissão MA I	31.130		31.130		100,00	100,00	100,00	100,00	271.677	193.544	221.815	160.625	49.862	32.919	76.564	158.408	14.546	5.229
EDP Transmissão Aliança S	113.851		23.851		90,00	90,00	90,00	90,00	1.826.223	1.645.706	1.587.639	1.595.113	238.584	50.593	504.595	754.194	81.363	27.907
EDP Transmissão SP-MG	33.001		33.001		100,00	100,00	100,00	100,00	1.971.249	1.531.577	1.779.464	1.448.988	191.785	82.589	459.261	944.598	93.991	64.023
CELESC (*)	5.141	6.391	5.141	4.638	29,90	33,11	25,35	33,11	1.766.397	1.491.187	74.230	84.063	1.692.167	1.407.124			285.043	218.265
EDP Ventures	6.501		3.001		100,00	100,00	100,00	100,00	7.366	5.961	2.451	3.650	4.915	2.311			(896)	(622)

(*) The equity amounts are related to interim accounting information as of September 30, 2020 and financial statements as of December 31, 2019, respectively. The amounts related to Income refer to the interim accounting information on September 30, 2020 and September 30, 2019, respectively, for comparison (Note 18.2).

18.3 Reconciliation of financial information of investments

Below is a reconciliation of the main investment balances:

	EDP São Paulo		EDP Espírito Santo		Lajeado		Enerpeixe		Porto do Pecém		São Manoel		CELESC	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	30/09/2020	12/31/2019
Shareholders' equity - Opening balance	1.243.488	1.197.409	1.054.189	925.033	619.157	662.908	635.681	651.498	2.475.701	2.398.963	1.971.337	1.926.553	1.407.124	1.800.856
Capital increase												58.000		
Distribution of dividends to the shareholders	(578.844)	(230.116)	(326.001)	(153.714)	(183.418)	(213.014)	(87.936)	(56.076)	(157.181)	(110.000)			(77.417)	(71.472)
Retained earnings				32.701										
Net income (loss) for the year	374.274	343.103	270.316	364.073	241.060	169.429	116.532	120.259	294.938	186.738	(80.474)	(13.216)	285.043	283.575
Other comprehensive income	(50.955)	(66.908)	84.457	(113.904)	33	(166)			233					(605.835)
Capital decrease and distribution of reserves								(80.000)						
Shareholders' equity - Closing balance	987.963	1.243.488	1.082.961	1.054.189	676.832	619.157	664.277	635.681	2.613.691	2.475.701	1.890.863	1.971.337	1.614.750	1.407.124
Percentage of ownership interest - %	100,00%	100,00%	100,00%	100,00%	55,86%	55,86%	60,00%	60,00%	100,00%	100,00%	33,334%	33,334%	29,90%	25,35%
Interest in investments	987.963	1.243.488	1.082.961	1.054.189	378.095	345.876	398.565	381.408	2.613.691	2.475.701	630.300	657.125	482.754	356.724
Founders' shares					(252.150)	(252.150)								
Tax benefit					56.244	56.244								
Retained earnings					33.504	19.421								
Book balance of the investment in the Parent Company	987.963	1.243.488	1.082.961	1.054.189	215.693	169.391	398.565	381.408	2.613.691	2.475.701	630.300	657.125	482.754	356.724
Non-controlling interest	-	-	-	-	461.139	449.766	265.712	254.273	-	-	1.260.563	1.314.212	1.131.996	1.050.400

19 Disclosure at other entities

As required by Technical Pronouncement CPC 45 – Disclosure in other entities, the condensed financial statements for each of the relevant joint ventures and associated company are presented below: Those projects' investments are recorded under the equity method and the amounts shown in the financial statements were prepared under IFRSs.

19.1 Joint ventures

All information presented below represents 100% of the balances of joint ventures which, under Company's evaluation, is considered significant.

CEJA

In 2011, CEJA acquired 100% of ownership interest of ECE Participações S.A., which holds the concession of Usina Hidrelétrica Santo Antônio do Jari (UHE Jari) which was merged on November 30, 2019 by CEJA.

Cachoeira Caldeirão

Cachoeira Caldeirão holds concession right of Hydroelectric Power Plant Cachoeira Caldeirão, headquartered in city of Ferreira Gomes in the state of Amapá.

São Manoel

São Manoel holds concession right of Hydroelectric Power Plant São Manoel, headquartered in the city of Rio de Janeiro.

By replacing Consórcio Construtor of UHE São Manoel, carried out in January 2017, the Management expected that there would be an increase in the total amount for the construction of the UHE São Manoel, since additional expenditures would be required from the new company to complete the construction within the expected schedule.

Due to what happened, as at December 31, 2016, São Manoel conducted the impairment test of assets to check if this potential increase in the total value of the asset would be recoverable. Based on the assumptions from the determination base of recoverable value to the discount rate, in 2016, São Manoel, considering that the best estimates were available for the calculation, identified an impairment loss of the asset in UHE São Manoel totaling R$460,236, recorded as a counterparty in the item "Other operating expenses" in the result of 2016.

Additionally, São Manoel evaluates the obligation to indemnify the position of Pan Seguros S.A., the insurance company that issued the insurance bond policy for São Manoel, starting coverage from July 2014, was considered as assumption. São Manoel hired legal advice from specialized consultants, who concluded that São Manoel has the right to receive the indemnity since the insurance has the purpose to ensure the carrying out, at full contract basis, at a fixed price, of the materials and equipment supplies, assembly, engineering and civil work services, under the full "Turn Key" modality for the implementation of the project. The indemnity limit under policy is R$429,555.

In August 2018, Pan Seguros S.A. ended the claim adjustment procedure and denied insurance coverage to São Manoel. Thus, in January 2019, a collection lawsuit was filed by the São Manoel against the insurance company. In October 2019, an unfavorable sentence was rendered to São Manoel, and, in view of this decision, an appeal was filed, which is awaiting judgment. The loss prognosis remains classified as "possible" by São Manoel's legal advisors.

São Manoel quarterly monitors the events that may significantly change the test for impairment. In fiscal years 2018 and 2017, São Manoel reviewed the impairment test of assets, and did not identify any need to reverse or supplement the amount recorded in 2016.

However, in the last quarter of 2019, São Manoel's Management, through sensitivity tests, regulatory changes, and analysis of indicators, identified indications that the calculation of the power plant's recoverable amount could be underestimated, affecting the impairment entry recognized in 2016. The identified indicators range from the approval of the new Physical Guarantee, to factors of improvement in the macroeconomic scenario, components for discounting cash flow in the valuation of investments, used to calculate the recoverable value.

After the analysis of indicators and the impairment test were conducted, using the internal and external sources of information provided for in CPC 01 (R1) - Asset Impairment, São Manoel continued with the registration of the reversal in the amount of R$111,191.

On November 31, 2020, due to the COVID-19 pandemic (Note 4.8), as mentioned in Note 3.7, São Manoel's Management carried out the analysis of the equity and financial situation and concluded that the recorded value of non-financial assets for the year, considering the foregoing, is recoverable, having not recorded any additional value or reversal.

19.1.1 Condensed financial statements

Balance sheet

	CEJA		Cachoeira Caldeirão		São Manoel	
Assets	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Current						
Cash and cash equivalents	77.073	58.684	75.672	62.488	88.431	112.935
Consumers and Concessionaires	54.998	78.007	18.646	32.795	43.409	50.758
Other receivables	29.771	15.157	21.574	20.538	61.668	61.030
	161.842	151.848	115.892	115.821	193.508	224.723
Non-current						
Recoverable income tax and social contribution		3.657	257	3.271	2.762	4.814
Deferred taxes			76.587	62.691	267.267	225.858
Other receivables	41.131	48.559	46.150	39.833	185.883	139.432
	41.131	52.216	122.994	105.795	455.912	370.104
Investments						
Property, plant and equipment	1.044.407	1.069.915	1.171.693	1.208.361	3.203.171	3.293.350
Intangible assets	487.910	504.388	9.718	11.622	64.394	72.841
Total assets	1.735.290	1.778.367	1.420.297	1.441.599	3.916.985	3.961.018

	CEJA		Cachoeira Caldeirão		São Manoel	
Liabilities	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Current						
Suppliers	81.741	73.387	17.875	12.806	27.301	19.793
Debentures			18.810	20.846	33.137	28.157
Loans, financing and debt charges	54.029	58.748	44.690	36.624	112.741	88.532
Provisions	2.205	2.888	4.142	11.644	29.358	16.430
Other accounts payable	45.218	32.155	2.939	2.837	8.372	10.800
	183.193	167.178	88.456	84.757	210.909	163.712
Non-current						
Deferred taxes	111.297	117.346	1	1	15	12
Debentures			195.603	199.574	278.075	294.026
Loans and financing	492.270	541.072	529.383	526.586	1.475.685	1.458.702
Use of Public Property	27.758	22.740	11.588	11.122	47.751	45.798
Provisions	6.699	5.271	15.247	12.637	9.927	24.974
Other accounts payable	59	177	1.429	1.224	3.760	2.457
	638.083	686.606	753.251	751.144	1.815.213	1.825.969
Shareholders' equity	914.014	924.583	578.590	605.698	1.890.863	1.971.337
Total liabilities and shareholders' equity	1.735.290	1.778.367	1.420.297	1.441.599	3.916.985	3.961.018

Statement of income

	CEJA		Cachoeira Caldeirão		São Manoel	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Income	275.301	23.275	142.536	139.233	360.656	382.499
Cost of production and electricity services	(109.762)	(18.889)	(109.233)	(101.446)	(300.582)	(333.362)
Operating expenses and income	(24.393)	(13.701)	(5.698)	(4.020)	(7.746)	105.924
Income (loss) from ownership interest		106.836				
Financial result	(52.537)	(6.663)	(68.609)	(69.706)	(174.211)	(175.031)
Income tax and social contribution - current and deferred	1.574	2.519	13.896	12.167	41.409	6.754
Net income (loss) for the year	90.183	93.377	(27.108)	(23.772)	(80.474)	(13.216)

19.1.2 Civil, tax and labor provisions and restricted deposits – current and non-current

19.1.2.1 Risk of probable loss

	CEJA							
	Liabilities						Assets	
			Decreases				Judicial deposit	
	Balance at 12/31/2019	Formation	Payments	Reversals	Inflation adjustment	Balance at 12/31/2020	12/31/2020	12/31/2019
Labor	1.711	226	(9)	(197)	347	2.078	119	426
Civil	21	131	(2)	(14)	50	186		
Tax	25				5	30		
Other	194	235	(49)	(95)		285		
Total non-current	1.951	592	(60)	(306)	402	2.579	119	426

	Cachoeira Caldeirão							
	Liabilities						Assets	
			Decreases				Judicial deposit	
	Balance at 12/31/2019	Formation	Payments	Reversals	Inflation adjustment	Balance at 12/31/2020	12/31/2020	12/31/2019
Labor	16		(2)	(2)	1	13		1
Civil	10.180	3.506	(1.207)	(1.053)	3.093	14.519	844	93
Other	609	278	(78)	(129)		680		
Total non-current	10.805	3.784	(1.287)	(1.184)	3.094	15.212	844	94

	São Manoel				
	Liabilities				
	Balance at 12/31/2019	Formation	Reversals	Restatement	Balance at 12/31/2020
Labor	7.446	890	(383)	1.332	9.285
Other	551	503	(412)		642
Total non-current	7.997	1.393	(795)	1.332	9.927

Cachoeira Caldeirão

Among the civil lawsuits noteworthy were the claims involving the expropriation issue related to the water crossing event occurred in the opening contracted in the cofferdam of the UHE Cachoeira Caldeirão in which on May 7, 2015, due to rise of Araguari river, Cachoeira Caldeirão conducted a controlled opening of left margin cofferdam to permit river waters to pass. Subsequent to this safety procedure and maneuvers carried out by other plants of the region, the municipality of Ferreira Gomes, downstream the dam, was partially flooded.

In view of this occurrence, on May 18, 2015, Cachoeira Caldeirão entered into a Term for Adjustment of Conduct (TAC), without the presumption of guilt, with the Federal Public Prosecutor's Office of Amapá State for the purpose of indemnifying families and dealers (under emergency circumstances) affected by the flood.

The Public, State and Federal Ministries filed a Writ of Mandamus in order to determine via judicial investigation the cause and those responsible for what happened regarding UHE Ferreira Gomes, UHE Coaracy Nunes, Instituto de Meio Ambiente e Ordenamento Territorial do Amapá - Imap, and Cachoeira Caldeirão.

Complainers allege that they have been impacted by the flood and claim for application of TAC terms, in addition to those previously signed by Cachoeira Caldeirão, that is, indemnity of R$20 for houses and R$35 for commercial establishments.

Regarding other lawsuits, Cachoeira Caldeirão filed, which was admitted by Amapá State appeal collegiate court, which suspended part of lawsuits in Special Civil Court until the final decision of the STF (Federal Supreme Court). However, Cachoeira Caldeirão participated in the joint efforts of the Court of Justice of Amapá in March 2019, jointly with the Court of Ferreira Gomes, closing some of the lawsuits in progress. The appeal of Cachoeira Caldeirão was not recognized by the Federal Court of Justice, so that a portion of the suspended claims are now under analysis. Moral damage claims remain suspended.

Cachoeira Caldeirão had called its insurance company to obtain reimbursement for the indemnities and overhead expenses arising from the event, and, on August 13, 2018, the insurance adjustment process was completed, determining as indemnity to Cachoeira Caldeirão, already net of deductible, the amount of R$28,000.

19.1.2.2 Risk of possible loss

	CEJA				Cachoeira Caldeirão				São Manoel			
			Assets				Assets				Assets	
			Judicial deposit				Judicial deposit				Judicial deposit	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Labor	1.037	880	143	155	17	14			6.081	16.007		
Civil	23.350	19.935			5.428	4.313			1.782	3.011	4	3
Tax	29.409	711	70		10.598	124	10.417	16	42.111	2.955	2.422	2.360
Total	53.796	21.526	213	155	16.043	4.451	10.417	16	49.974	21.973	2.426	2.363

CEJA

Civil

CEJA, along with other agents of the industry, in October 2014, filed a lawsuit pending in 2nd Federal Court in the Federal District, before the Federal Government, to suspend the effects of Resolution 03/13 of the Brazilian Energy Policy Council (CNPE), enacted by the Federal Government, which introduced a sharing between all agents of the energy market of the costs incurred for the additional dispatch of thermal sources (oil, coal and gas) due to the shortage of rain (System Service Charge – ESS).

On November 04, 2014, an injunction was granted to suspend the effects of the provisions established in articles 2 and 3 and in the attachment to CNPE Resolution No. 03/13. The decision considering valid the request by the plaintiff was published on September 05, 2017. Companhia Elétrica do Jari (CEJA) awaits a decision for the appeal filed by the Federal Government. On December 31, 2020, the estimated amount of the lawsuit is R$ 23,350 (R$ 19,808 on December 31, 2019) and it is based on the accounting reports of Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE).

Tax

Administrative discussion arising from the Tax Assessment Notice drawn up on June 30, 2020 by the Brazilian Federal Revenue Service, aimed at the collection of a fine for allegedly incorrect information in ancillary obligations (EFD ICMS/IPI and EFD Contributions), as well as the collection of PIS and COFINS for the 2016 period, since the peculiarities of the energy sector were not considered for the purposes of calculating said taxes. The lawsuit is currently in the process of preparation of defense. The amount as of December 31, 2020 is R$ 28,677. CEJA made defense and is awaiting decision.

Cachoeira Caldeirão

Tax

Lawsuit filed by Cachoeira Caldeirão against the Federal Revenue Service of Brazil, in which it discusses the non-approval of the requests for the offsetting of withholding tax credits (IRRF – Corporate Income Tax), involving the amount of R$ 10,471 on December 31, 2020. Currently, it is awaiting the court's decision.

São Manoel

Civil

São Manoel is party to a Public Civil Lawsuit proposed by the Federal Public Prosecutor's Office (Ministério Público Federal - MPF), on the grounds of alleged irregularities in the environmental permits for the construction of UHE São Manoel, non-compliance with conditions for the indigenous component:

In all lawsuit, the MPF requires injunction for suspension of permits. Due to the complexity of such lawsuit, it is not possible to estimate the economic value involved, because the results of possible permit suspension will vary according to investment value already realized by São Manoel to build the project. Despite strong arguments of the defense, São Manoel and its legal advisors classified the lawsuit as possible risk due to the protective trend in environmental matters. Currently, the lawsuits is awaiting for the judgment of the appeal filed by MPF (Public Prosecutor's Office).

Tax

Writ of Mandamus filled by São Manoel with the State of Pará, aiming to discuss the constitutionality of the ICMS rate differential that should have been provided for by the Complementary Law, as well as the calculation form established in the State Law 8315/15. The amount involved as of December 31, 2020 is R$ 24,935. Currently, lawsuit is in the stage of appeal to the Superior Court.

Administrative dispute arising from the Tax Assessment Notice drawn up by the State of Pará, aiming at the collection of the rate differential relating to the period between March and August 2016. The amount involved as of December 31, 2020 is R$ 6,896. São Manoel made administrative defense and is awaiting decision.

19.1.3 Contractual commitments and guarantees

19.1.3.1 Contractual commitments

On December 31, 2020, the joint ventures present contractual commitments not recognized in the financial statements, which are presented by the total amount.

Contractual commitments mentioned in the chart below reflect agreements and commitments necessary for CEJA and its subsidiary's normal operations, adjusted at respective projected rates and adjusted at present value at the rate of 6.86% in CEJA and 7.00% in Cachoeira Caldeirão and São Manoel, which represents average financing rate for construction of projects.

	CEJA		Cachoeira Caldeirão		São Manoel	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
		Restated		Restated		Restated
Liabilities with operating leases					118	
Liabilities for purchases						
Purchase of energy	7.508	8.019	62.877	59.901		
Energy connection and transportation charges					104	95
Materials and services	15.665	30.698	22.650	23.656	28.984	43.820
Risk premium - GSF	65.915	65.915				
Interest Falling Due Loans, Financing and Debentures	149.430	179.308	365.675	380.250	1.121.260	1.135.698
	238.518	283.940	451.202	463.807	1.150.466	1.179.613

Contract commitments mentioned in the chart below reflect the same contract commitments shown above, however, they are adjusted at respective rates on base date December 31, 2020, that is, without projection of correction indices, and are not adjusted at present value.

	CEJA		Cachoeira Caldeirão		São Manoel	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
		Restated		Restated		Restated
Liabilities with operating leases					114	
Liabilities for purchases						
Purchase of energy	12.003	12.329	92.091	92.091		
Energy connection and transportation charges					106	95
Materials and services	17.168	26.997	25.190	21.240	29.983	41.160
Risk premium - GSF	241.616	241.616				
Interest Falling Due Loans, Financing and Debentures	179.451	226.353	462.233	461.935	1.489.459	1.394.832
	450.238	507.295	579.514	575.266	1.519.662	1.436.087

19.1.3.2 Guarantees

		CEJA		Cachoeira Caldeirão		São Manoel	
Guarantees	**Type of guarantees**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Loans and financing	(i) Blocked deposit; (ii) Bank guarantee; (iii) Corporate guarantee; (iv) Lien on shares; and (v) Pledge of Rights	546.850	600.168	576.361	565.757	1.607.768	1.568.766
Debentures	(i) Bank Guarantee and (ii) Corporate Guarantee			214.801	220.889	327.968	341.595
Lawsuits	(i) Blocked deposit; (ii) Bank guarantee; and (iii) Guarantee insurance.			2.819	2.702		
Construction performance bond	Insurance bond					823	781
Other	Receivables	2.160	2.089	1.366	1.320		
		549.010	602.257	795.347	790.668	1.936.559	1.911.142

19.2 Associated Company

During 2019, the Company held 4,637,520 preferred shares and 5,140,868 common shares, which together represented 25.35% of CELESC's capital. Throughout 2020, the Company acquired 1,573,200 preferred shares, totaling 11,531,588, representing 29.90% of CELESC's capital (Note 4.2).

CELESC is a mixed publicly-held corporation that has been operating since 1955 in the areas of power generation, transmission and distribution. During this period, it established itself as one of the largest companies in the Brazilian power sector, with national and international recognition for the quality of its services and for its actions in the technical, economic, environmental and social fields. In 2006, pursuant to the model advocated by the national power sector legislation, CELESC was structured as a holding company, with two wholly-owned subsidiaries: CELESC Geração S.A., which has 12 power plants in operation with a generation capacity of 106.97 MW, and CELESC Distribuição S.A., which serves more than 3.0 million customers, in 285 municipalities, besides part of the municipality of Rio Negro, in Paraná. In addition, it has the jointly-controlled subsidiary Companhia de Gás de Santa Catarina S.A. – SCGÁS which operates in the distribution of natural gas.

The information presented below represents 100% of the balances of CELESC, extracted from: (i) interim accounting information on September 30, 2020, disclosed to the market on November 13, 2020; (ii) financial statements as of December 31, 2019, disclosed to the market on March 27, 2020, and; (iii) interim accounting information on September 30, 2019, released d to the market on November 14, 2019 which, in the Company's opinion, are considered relevant for disclosure. The Company assessed the corporate events disclosed to the market by CELESC between October 1, 2020 and December 31, 2020 and did not identify any material facts to be adjusted in the financial statements used to calculate equity.

19.2.1 Individual and condensed financial statements

Balance sheet

Assets	**30/09/2020**	**12/31/2019**	**Liabilities**	**30/09/2020**	**12/31/2019**
Current			**Current**		
Cash and cash equivalents	31.218	28.451	Dividends and interest on own capital	67.682	67.683
Recoverable taxes	11.019	10.905	Tax obligations	231	9.855
Dividends receivable	85.469	71.817	Other current liabilities	1.769	1.987
Other current assets	6.910	28		69.682	79.525
	134.616	111.201			
Non-current			**Non-current**		
Interest earning bank deposits measured at fair value	137.478	137.478	Provisions	4.548	4.538
Other non-current assets	21.464	23.341		4.548	4.538
	158.942	160.819			
			Shareholders' equity	1.692.167	1.407.124
Investments	1.467.755	1.213.703			
Property, plant and equipment	15	18			
Intangible asset	5.069	5.446			
Total assets	1.766.397	1.491.187	**Total liabilities and shareholders' equity**	1.766.397	1.491.187

Statement of income

	30/09/2020	**30/09/2019**
Operating expenses and income	(16.821)	(17.107)
Income (loss) from ownership interest	296.538	234.666
Financial result	5.326	706
Net income (loss) for the year	285.043	218.265

19.2.2 Civil, tax and labor provisions and restricted deposits – current and non-current

19.2.2.1 Risk of probable loss

	30/09/2020		**12/31/2019**	
		Assets		**Assets**
	Liabilities	**Judicial deposit**	**Liabilities**	**Judicial deposit**
Labor		4.686		4.669
Civil	302	6.479	292	8.373
Tax	1.263	2.117	1.263	2.117
Regulatory	2.983	8.182	2.983	8.182
Total non-current	4.548	21.464	4.538	23.341

19.2.2.1.1 Tax

These are related to tax contingencies at the federal level, regarding the payment of COFINS (Contribution for Financing Social Security) and Social Welfare Contribution, and at the municipal level, associated with tax notifications issued by the Florianópolis City Government for ISS (Service Tax) requirements.

19.2.2.1.2 Regulatory

Regulatory contingencies are associated with notifications made by ANEEL, ARESC or CCEE in punitive administrative proceedings resulting from events that have already occurred, the settlement of which may result in the delivery of funds for contractual or regulatory violations in the electricity sector. The lawsuits in which Celesc D is litigating matters pertaining to the application of the sectorial regulation with other sectorial agents (electric power generation, trading, transmission or distribution concessionaires, as well as institutional agents such as ANEEL, CCEE, ONS, EPE [Energy] and MME [Ministry]), also constitute regulatory contingencies.

20 Concession assets

	Consolidated										
	Net value at 12/31/2019	Transfers to intangible assets	Transfers to indemnifiable financial assets	Additions (Notes 20.1.1 and 34)	Remuneration	Decreases	Capitalized interest	Construction margin	Reclassification	Other (*)	Net value at 12/31/2020
Distribution	386.297	(199.546)	(369.374)	745.563			6.333		(27.017)		542.256
Transmission	2.831.347			782.331	373.372	(37.313)	238.455	39.628		108.083	4.335.903
	3.217.644	(199.546)	(369.374)	1.527.894	373.372	(37.313)	244.788	39.628	(27.017)	108.083	4.878.159
Current	17.405										33.855
Non-current	3.200.239										4.844.304

(*) The amount presented in the "Other" column refers to the recognition of PIS and COFINS levied on the additions of the concession assets for the transmission subsidiaries.

20.1 Distribution

They are related to a contractual right of the concessionaires of charging users for the power distribution system construction, when respective assets went live and are measured at fair value plus financial charges, when applicable.

In accordance with the provisions of the Accounting Instructions of the Electricity Sector Accounting Manual and in CVM Resolution 672/11, which approves the technical pronouncement CPC 20 (R1), the financial charges relating to the financing obtained from third parties, effectively invested in Concession Assets, are recorded in this subgroup as cost of the respective works. The annual average rate invested in the period to determine the sum of the capitalizable financial charges was 1.7629%, which represents the effective rate of the loan as PRORET rules provided in submodule 2.4 and ANEEL Normative Resolution 648/15.

Upon the completion of the infrastructure construction works, the conclusion of performance obligation is evidenced and required by CPC 47, and these assets are divided as Indemnification assets (Note 20) or as Intangible Assets (Note 23), depending on the type of return.

20.1.1 Additions

Of the total inflows realized by EDP Espírito Santo: (i) 39.8% were set aside for the installation of metering systems, expansion of lines, substations and distribution networks for the connection of new customers; (ii) 26.3% were set aside for network improvement, replacement of equipment and meters, both obsolete and depreciated, as well as the replacement of network conductors at the end of their useful lives; (iii) 21.4% were invested in telecommunications, IT and other activities, such as infrastructure and commercial projects; and (iv) 12.5% were invested in loss prevention.

Of the total inflows realized by EDP São Paulo: (i) 34.2% were set aside for the installation of metering systems, expansion of lines, substations and distribution networks for the connection of new customers; (ii) 31.1% were set aside for network improvement, replacement of equipment and meters, both obsolete and depreciated, as well as the replacement of network conductors at the end of their useful lives; (iii) 22.4% were invested in telecommunications, IT and other activities, such as infrastructure and commercial projects; and (iv) 12.3% were invested in loss prevention.

20.2 Transmission

Contractual assets include amounts receivable relating to the infrastructure implementation and income from the return on concession asset services. These assets are measured at the present value of future cash flows, based on the average funding rate of the project in force at the time of formalization of the concession agreement, according to CPC 47.

The financial asset model determines that income from the concession agreement must be recognized according to the criteria of CPC 47. In this sense, the transmission companies recognize income from the construction of the concession infrastructure with a margin proportional to the progress of the work, using the cost method, considering fulfillment of the performance required by the concession agreement.

As a result, the asset has the nature of a "contract asset" until the monthly issue of the RAP (Annual Permitted Revenue) billing permission by the ONS, when the corresponding amount is reclassified to Financial Assets. This is because the transmission companies still have contractual performance obligations to be fulfilled during the concession. In addition to Concession Infrastructure Construction Income, the RAP serves to remunerate the O&M service and settle part of the Interest Income. The formation of the contractual assets of the transmission companies is an accounting estimate, and the assumptions used by the Company are presented in Note 33.

At the end of the concession agreement period, all assets and facilities linked will be incorporated into the Brazilian Federal Government's assets.

21 Indemnifiable financial assets

	Consolidated					
	Net value at 12/31/2019	Transfer of concession assets	Fair value	Decreases	Reclassification	Net value at 12/31/2020
Indemnifiable financial assets	3.000.631	369.374	136.352	(11.991)	(7.406)	3.486.960
Total non-current	3.000.631	369.374	136.352	(11.991)	(7.406)	3.486.960

The subsidiaries EDP São Paulo and EDP Espírito Santo present a balance of non-current asset from the Concession Grantor at the end of concession, as an indemnity for investments made and not recovered in the rendering of services granted, from the bifurcation required by ICPC 01 (R1). These financial assets are valued at their fair value, based on the New Replacement Value - NVR of assets pertaining to the concession, reviewed every four years in the appraisal report on the Regulatory Remuneration Basis - BRR, as established in Concession agreement.

The Replacement Cost New– VNR method determines that each asset must be valued at current prices by all the expenditures required for its replacement with an identical, similar or equivalent asset that provides the same services and has the same capacity as the existing asset. The application of this method occurs through the use of the Reference Price Base, the Company's Price Base or the Referential Budget.

The Reference Price Base represents the average regulatory costs, by group, of smaller components and additional costs, as defined in Appendix V of the Tariff Regulation Procedures – PRORET, submodule 2.3.

The Price Base is defined as the base formed using information from the actual company, and can only be applied to the main equipment or alternatively, to the smaller components and additional costs.

The Referential Budget represents the value of an assets or its individual parts by means of the comparison of market data relating to others with similar characteristics, applied exclusively to Buildings, construction works and improvements.

Indemnifiable financial asset is adjusted: (i) per Amplified Consumer Price Index (IPCA) restatement according to Normative Resolution 686/15; and (ii) per additions and write-off of infrastructure as regulated by ANEEL.

These assets will be reversed to Concession Grantor at the end of concession and effects from measurement at fair value are recognized directly income for the year.

In this sense, assessment is validated under supervision of ANEEL and occurs from inspections in the field of the concession infrastructure, following the methodology and criteria for evaluation of assets considered eligible, of the concessionaires of public service of electricity distribution, in order to restore the efficient level of operating costs and of the regulatory remuneration basis of the concessionaires.

22 Property, plant and equipment

Property, plant and equipment are recorded at cost plus non-recoverable taxes on purchases/construction costs directly attributable to bringing the asset to the location and condition necessary for the operation, less accumulated depreciation and when applicable, accumulated impairment losses. Also part of the cost of property, plant and equipment is interest on loans and financing from third parties, capitalized during the construction phase, deducted from the financial income of third party unallocated funds.

The book value of the replaced goods is written off, and expenditures on repairs and maintenance are fully recorded as a counterparty to the result for the year.

The depreciation calculation basis is the asset's depreciable amount (acquisition cost, less residual value) of the asset. Depreciation is recognized in the income statement on a straight line basis in accordance with the useful life of each addition and removal unit, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset. The depreciation rates used as provided for in table XVI of the Manual of Asset Control in the Electricity Sector (Manual de Controle Patrimonial do Setor Elétrico - MCPSE) were approved by Normative Resolution 674, of August 11, 2015.

The depreciation rate considers the useful life of the asset, however, for assets not indemnifiable by the Concession Grantor at the end of the concession/authorization, the depreciation is recorded considering the remaining period of Concession/Authorization.

At the end of the concession agreement period, all assets and facilities linked to the Hydroelectric Power Plants will be incorporated into the Brazilian Federal Government's assets, and the concessionaires will be refunded for any investments made and not yet amortized, provided that the latter have been authorized by ANEEL and subjected to an ANEEL audit.

22.1 Breakdown of property, plant and equipment

		Parent Company							
		12/31/2020				12/31/2019			
	Note	Average depreciation annual rate %	Historical cost	Accumulated depreciation	Net value	Average depreciation annual rate %	Historical cost	Accumulated depreciation	Net value
Construction in service									
Management									
Construction, civil works and improvements		63,30	2.624	(2.044)	580	5,57	3.550	(1.052)	2.498
Machinery and equipment		12,59	25.372	(19.349)	6.023	15,04	25.158	(16.523)	8.635
Vehicles		14,29	1.245	(853)	392	14,29	2.004	(1.447)	557
Furniture and fixtures		6,27	4.104	(1.994)	2.110	6,28	4.176	(1.816)	2.360
			33.345	(24.240)	9.105		34.888	(20.838)	14.050
Total construction in service			33.345	(24.240)	9.105		34.888	(20.838)	14.050
Assets related to right to use	22.1.1								
Construction, civil works and improvements		26,11	4.755	(3.452)	1.303	44,60	6.636	(2.248)	4.388
Vehicles		50,00	446	(446)	-	50,00	446	(223)	223
Depreciation - Total assets related to right to use			5.201	(3.898)	1.303		7.082	(2.471)	4.611
Construction in progress									
Management			8.909		8.909		8.799		8.799
Total construction in progress			8.909	-	8.909		8.799	-	8.799
Total property, plant and equipment			47.455	(28.138)	19.317		50.769	(23.309)	27.460

		Consolidated							
		12/31/2020				12/31/2019			
	Note	Average depreciation annual rate %	Historical cost	Accumulated depreciation	Net value	Average depreciation annual rate %	Historical cost	Accumulated depreciation	Net value
Construction in service									
Generation									
Land			183.611		183.611		183.610		183.610
Reservoirs, dams and water mains		1,79	1.808.363	(581.531)	1.226.832	1,85	1.762.330	(518.320)	1.244.010
Construction, civil works and improvements		2,21	962.317	(317.895)	644.422	2,27	940.216	(279.365)	660.851
Machinery and equipment		3,74	5.656.141	(1.989.587)	3.666.554	4,06	5.403.701	(1.679.573)	3.724.128
Vehicles		14,19	5.126	(3.440)	1.686	14,47	5.026	(2.831)	2.195
Furniture and fixtures		5,71	5.078	(1.625)	3.453	6,45	4.178	(1.246)	2.932
			8.620.636	(2.894.078)	5.726.558		8.299.061	(2.481.335)	5.817.726
Connection Transmission System									
Construction, civil works and improvements		3,38	2.993	(1.320)	1.673	4,44	2.993	(1.219)	1.774
Machinery and equipment		3,06	201.715	(84.918)	116.797	3,74	201.715	(78.831)	122.884
			204.708	(86.238)	118.470		204.708	(80.050)	124.658
Management									
Construction, civil works and improvements		15,54	14.069	(3.868)	10.201	5,80	14.984	(2.339)	12.645
Machinery and equipment		9,02	121.670	(41.785)	79.885	12,47	66.759	(32.999)	33.760
Vehicles		14,11	3.162	(1.938)	1.224	15,13	3.473	(2.293)	1.180
Furniture and fixtures		6,03	7.741	(3.577)	4.164	7,43	7.712	(3.138)	4.574
			146.642	(51.168)	95.474		92.928	(40.769)	52.159
Activities not linked to concession									
Land			85		85		85		85
Construction, civil works and improvements		9,02	45.307	(6.312)	38.995	29,84	11.255	(4.019)	7.236
			45.392	(6.312)	39.080		11.340	(4.019)	7.321
Transmission									
Furniture and fixtures		6,25	9	(2)	7	6,25	9	(1)	8
			9	(2)	7		9	(1)	8
Total construction in service			9.017.387	(3.037.798)	5.979.589		8.608.046	(2.606.174)	6.001.872
Assets related to right to use	22.1.1								
Construction, civil works and improvements		13,90	70.548	(31.633)	38.915	34,53	70.721	(16.047)	54.674
IT equipment		64,32	159	(159)	-	94,50	1.032	(976)	56
Machinery and equipment		26,95	19.333	(11.028)	8.305	59,20	19.636	(5.448)	14.188
Vehicles		30,55	23.012	(19.088)	3.924	48,58	18.941	(8.700)	10.241
Depreciation - Total assets related to right to use			113.052	(61.908)	51.144		110.330	(31.171)	79.159
Construction in progress									
Generation			182.674		182.674		142.053		142.053
Management			58.416		58.416		82.973		82.973
Total construction in progress			241.090	-	241.090		225.026	-	225.026
Total property, plant and equipment			9.371.529	(3.099.706)	6.271.823		8.943.402	(2.637.345)	6.306.057

22.1.1 Right-of-use assets

They refer to assets from the adoption of CPC 06 (R2) as of January 1, 2019 (Note 16.7). The main assets recognized have the following characteristics:

• **Buildings, civil works and improvements:** They substantially refer to related rent contracts: (i) to the headquarters of the companies belonging to the EDP - Energias do Brasil group; and (ii) the consumer service stores located in the municipalities where the distributors have their concessions.

• **IT equipment:** Refers to the lease contract of notebooks and desktops used by employees, including their maintenance.

• **Machinery and equipment:** Refer substantially to the subsidiary Porto do Pecém and correspond to the rental of machinery for handling and stacking of the coal stored in the yard.

• **Vehicles:** Refer substantially to the rental contract for the fleet vehicles used by employees for transportation in the rendering of services, and also for the executive vehicles used by the top management.

22.2 Changes in property, plant and equipment

	Parent Company						
	Net value at 12/31/2019	Inflows	Transfers to construction in service	Depreciation	Decreases	Reversal	Net value at 12/31/2020
Construction in service							
Construction, civil works and improvements	2.498			(1.485)	(433)		580
Machinery and equipment	8.635		213	(2.825)			6.023
Vehicles	557			(134)	(31)		392
Furniture and fixtures	2.360			(217)	(33)		2.110
Total construction in service	14.050	-	213	(4.661)	(497)	-	9.105
Assets related to right to use							
Construction, civil works and improvements	4.388	439		(1.667)	(178)	(1.679)	1.303
Vehicles	223			(223)			-
Depreciation - Total assets related to right to use	4.611	439	-	(1.890)	(178)	(1.679)	1.303
Construction in progress							
Machinery and equipment	8.799	811	(213)		(488)		8.909
Total construction in progress	8.799	811	(213)	-	(488)	-	8.909
Total property, plant and equipment	27.460	1.250	-	(6.551)	(1.163)	(1.679)	19.317

	Consolidated									
	Net value at 12/31/2019	Inflows	Transfers to construction in service and concession assets	Depreciation	Decreases	Transfer of Assets held for sale (Note 17)	Reclassification	Acquisition of companies (Note 22.2.1)	Reversal	Net value at 12/31/2020
Construction in service										
Land	183.695					1				183.696
Reservoirs, dams and water mains	1.244.010		379	(36.717)		19.160				1.226.832
Construction, civil works and improvements	682.506		28.754	(27.524)	(433)	6.006	5.982			695.291
Machinery and equipment	3.880.772		69.821	(261.775)	(7.261)	168.261	7	13.411		3.863.236
Vehicles	3.375		222	(926)	(31)	270				2.910
Furniture and fixtures	7.514		558	(861)	(261)	674				7.624
Total construction in service	6.001.872	-	99.734	(327.803)	(7.986)	194.372	5.989	13.411	-	5.979.589
Assets related to right to use										
Construction, civil works and improvements	54.674	6.118		(17.314)	(3.222)	349			(1.690)	38.915
IT equipment	56			(56)						-
Machinery and equipment	14.188	2.587		(5.579)					(2.891)	8.305
Vehicles	10.241	3.314		(10.010)		379				3.924
Depreciation - Total assets related to right to use	79.159	12.019	-	(32.959)	(3.222)	728	-	-	(4.581)	51.144
Construction in progress										
Land	24.540	394			(785)		(46)			24.103
Reservoirs, dams and water mains	51		(379)				380			52
Construction, civil works and improvements	2.241	1.304	(590)		(745)		280			2.490
Machinery and equipment	104.088	82.730	(69.821)		(509)	3.395	34.516			154.399
Advances to suppliers	37.455	1.071			(13.210)		(22.043)			3.273
To pay out	680	1.240					(197)			1.723
Other	55.971	13.324	(780)		(1.887)	1.243	(12.821)			55.050
Total construction in progress	225.026	100.063	(71.570)	-	(17.136)	4.638	69	-	-	241.090
Total property, plant and equipment	6.306.057	112.082	28.164	(360.762)	(28.344)	199.738	6.058	13.411	(4.581)	6.271.823

22.2.1 Acquisition of companies

Refers to the purchase made by the subsidiary EDP GRID of the company UFV SP V Equipamentos, after signing the purchase/sale agreement on July 01, 2020.

23 Intangible asset

Intangible assets are measured by the total cost of purchase and or/construction, less amortization expenses and accumulated losses for impairment, when applicable.

Permanent rights of way are recorded at acquisition cost and are not amortized, except for subsidiary Porto do Pecém, which amortizes its permanent rights of way over authorization period.

The project development expenditures are recognized as intangible assets during the development stage, provided that they comply with the requirements defined in CPC 04 (R1).

Amortization is calculated on the asset amount and is recognized in income at the straight-line method in relation to the estimated useful lives of intangible assets, beginning as of the date in which they are available for use, as this method is the one that best reflects the consumption standard of future economic benefits incorporated to the asset.

23.1 Breakdown of intangible asset

	Parent Company							
	12/31/2020				12/31/2019			
	Average amortization annual rate %	Historical cost	Accumulated amortization	Net value	Average amortization annual rate %	Historical cost	Accumulated amortization	Net value
Intangible asset in service								
Management								
Software	20,00	31.160	(19.316)	11.844	20,52	25.337	(15.760)	9.577
		31.160	(19.316)	11.844		25.337	(15.760)	9.577
Total intangible asset in service		31.160	(19.316)	11.844		25.337	(15.760)	9.577
Intangible asset under development								
Management		24.463		24.463		21.064		21.064
Total intangible assets under development		24.463	-	24.463		21.064	-	21.064
Total intangible asset		55.623	(19.316)	36.307		46.401	(15.760)	30.641

		Consolidated							
		12/31/2020				12/31/2019			
	Note	Average amortization annual rate %	Historical cost	Accumulated amortization	Net value	Average amortization annual rate %	Historical cost	Accumulated amortization	Net value
Intangible asset in service									
Distribution									
Concession rights - Infrastructure	23.1.1	4,48	4.664.609	(3.268.851)	1.395.758	4,48	4.564.417	(3.091.773)	1.472.644
Concession right - Other	23.1.3	3,82	38.143	(26.846)	11.297	3,82	38.143	(25.388)	12.755
			4.702.752	(3.295.697)	1.407.055		4.602.560	(3.117.161)	1.485.399
Generation and transmission.									
Software		20,29	2.475	(2.219)	256	16,06	2.028	(1.756)	272
Permanent easement		38,23	1.224	(604)	620	38,23	1.224	(604)	620
Concession right - Environmental permits		23,26	70.059	(41.991)	28.068	23,38	70.443	(31.270)	39.173
Concession right - Use of Public Property - UBP	23.1.2	3,27	229.799	(84.765)	145.034	3,27	171.560	(79.152)	92.408
Concession right - Other	23.1.3	2,54	1.515.492	(560.035)	955.457	3,42	1.126.633	(521.507)	605.126
			1.819.049	(689.614)	1.129.435		1.371.888	(634.289)	737.599
Connection Transmission System									
Permanent easement		3,19	1.132	(292)	840	3,19	1.132	(256)	876
			1.132	(292)	840		1.132	(256)	876
Management									
Software		20,46	47.915	(29.506)	18.409	20,85	38.237	(23.633)	14.604
Other		29,63	6.838	(6.838)	-	29,63	6.838	(6.838)	-
			54.753	(36.344)	18.409		45.075	(30.471)	14.604
Total intangible asset in service			6.577.686	(4.021.947)	2.555.739		6.020.655	(3.782.177)	2.238.478
Intangible asset under development									
Generation			17.431		17.431		17.433		17.433
Management			54.616		54.616		39.926		39.926
Total intangible assets under development			72.047	-	72.047		57.359	-	57.359
Activities not linked to concession									
Goodwill in the merger of parent company	23.1.4	4,49	940.511	(649.203)	291.308	4,66	940.511	(616.018)	324.493
(-) Provision for maintenance of dividends	23.1.4	4,49	(940.511)	649.203	(291.308)	4,66	(940.511)	616.018	(324.493)
			-	-	-		-	-	-
Goodwill									
EDP Soluções	23.1.5		31.804		31.804		29.646		29.646
			31.804	-	31.804		29.646	-	29.646
Total intangible asset			6.681.537	(4.021.947)	2.659.590		6.107.660	(3.782.177)	2.325.483

23.1.1 Concession rights - Infrastructure

They refer to the right of distributors EDP São Paulo and EDP Espírito Santo to receive cash from users for services to build the electricity distribution system and the use of infrastructure, derived from bifurcation required by ICPC 01 (R1). They are recorded at their cost plus financial expenses, if applicable.

Amortization is recorded based on estimated useful life of each asset, limited to final concession period. The amortization rates used are those determined by ANEEL, responsible for establishing the useful life of the electric sector's distribution assets, and are provided in the Manual of Asset Control in the Electricity Sector (Manual de Controle Patrimonial do Setor Elétrico - MCPSE).

23.1.2 Concession right - Use of Public Property - UBP

It refers to the right to exploit the hydroelectric plant and transmission system associated with the UHEs and subsidiaries Investco and Enerpeixe. It is recognized at the total value of the consideration of right to Use of Public Property until the end of the concession agreement, recorded in counterparty to liability (Note 29). Amortization will last until the end of the concession agreement of the subsidiaries.

	Consolidated			
	Balance at 12/31/2019	Addition (Note 23.1.2.1)	Amortization	Balance at 12/31/2020
Investco	8.422		(648)	7.774
Enerpeixe	83.986	58.238	(4.964)	137.260
	92.408	58.238	(5.612)	145.034

23.1.2.1 Addition

As a result of applying the concession extension provision mentioned in Note 23.1.3.1, the Concession Right related to the "UBP" (Public-Use Asset) was recalculated to include the additional Concession period. Accordingly, the amount of R$ 58,238 was added to the balance of the subsidiary Enerpeixe. The amount of R$ 137,260 on December 31, 2020 will be amortized over the duration of the new concession beginning in January 2021.

23.1.3 Concession right - Other

		Consolidated		
		12/31/2020		
	Note	Cost	Amortization	Total
Distribution				
EDP São Paulo		38.143	(26.846)	11.297
Transmission				
EDP Transmissão Litoral Sul		63.851		63.851
Generation				
Lajeado		164.826	(101.442)	63.384
Enerpeixe		3.837	(1.999)	1.838
Porto do Pecém		106.855	(21.269)	85.586
Investco		787.264	(435.325)	351.939
		1.062.782	(560.035)	502.747
Term extension - GSF				
Enerpeixe		203.579		203.579
Lajeado		93.862		93.862
Energest		91.418		91.418
	23.1.3.1	388.859		388.859
Total		1.553.635	(586.881)	966.754

Refer to the difference between total investment acquisition cost and its fair value less amortization expenses. Amortization is straight, in accordance with concession period.

23.1.3.1 Term extension - GSF

Bill 10.985/18 deals with the reimbursement of non-hydrological risks of the *Generation Scaling Factor* - GSF by extending the concession subject to the withdrawal of injunctions, and was approved in 2019 in Brazil's Chamber of Deputies (lower house of Congress). To take effect, the bill needed to pass the Senate and receive presidential approval. In the Senate, Senate Bill 3975/19 obtained the opinion approved by the Economic Affairs Commission (CAE) and, on August 13, 2020, was resolved and approved in plenary, and sanctioned by the president on September 8, 2020.

On September 9, 2020, Law 14052/20 was published in Federal Official Gazette, which amended Law 13203/15, establishing new conditions for renegotiating the hydrological risk related to the portion of the costs incurred on the GSF, assumed by the holders of the hydroelectric plants that have participating in the Energy Reallocation Mechanism (MRE) since 2012, with the worsening of the water crisis, which created the legal basis for the renegotiation of the GSF in the "ACL" (Unregulated Contracting Environment). The purpose of the legal amendment was to compensate holders of hydroelectric power plants participating in the MRE for non-hydrological risks caused by: (i) generation projects designated as "structuring projects", related to the anticipation of the physical guarantee; (ii) restrictions on the start-up of transmission facilities necessary for the flow of the generation of structuring; and (iii) by generation "outside the order of merit" and importation. The extension of the approval is limited to seven years, subject to the withdrawal of any lawsuits or the right to discuss issues relating to the MRE by the eligible agents.

On September 23, 2020, ANEEL made Public Consultation 56/20, to obtain subsidies for the improvement of the proposed regulation of Law 14052/20, with a term of 30 days. The Consultation discussed with the agents the criteria and data of the reimbursement calculations, in addition to contractual and legal aspects, such as the documentation for extension of the grant and amendments to the contracts. On October 16, 2020, the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) — through the aforementioned Public Consultation — submitted a proposal containing an estimate of the amounts of the complete GSF calculation; the Consultation ended on October 23 after having received 151 contributions.

On December 1, 2020, because of the Public Consultation, ANEEL's Board of Directors approved Normative Resolution 895/2020, ending the regulatory stage. Considering the contributions of several agents (including the Company), the Agency improved the draft initially submitted, including two additional factors that increased the initial estimate: (i) cost of capital incurred by generators in periods not protected by injunctions since the beginning of the retroactive calculation of non-hydrological risks, in 2012; and (ii) delays in the implementation of transmission for the outflow of energy from Belo Monte, notably in relation to delays by the company Abengoa. Since the accepted contributions require improvements in calculation engines of Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE), Aneel gave 90 days — starting from the publication of the Resolution — for the CCEE to update and present the reproducibility data and new financial amounts, subsequently followed by the deadlines for publication of the regulatory asset by an agent and request for adherence to the renegotiation.

Once the amounts are known, acceptance of the proposal will imply giving up future legal questioning about the matter by the plants and the withdrawal from participation in the APINE lawsuit, with the respective payment of the amounts currently protected by an injunction.

Based on the information, and considering Law 14.052/20 regulated by ANEEL Normative Resolution 895/2020, although the beginning of payments had not yet been reached in December 2020, the result of the regulation was beneficial to hydroelectric agents, since the right to indemnity for additional damages to the MRE, which had not been considered in the initial proposal, was recognized. Furthermore, the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) has publicly indicated that it will make it possible to pay off debts in installments, thereby speeding up the release of the Short-Term Market ("MCP"), which represents R$ 8.9 billion. The GSF amounts to be paid will be offset against the credit that already appears in the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) (net position of the agent).

Considering the innovation brought by the renegotiation of hydrological risk and the absence of any Pronouncement, Interpretation or Guidance by the CPC that applies specifically to the topic, Company Management exercised its judgment in the development and application of accounting policy, as provided for in CPC 23 – Accounting Policies, Change Estimates and Error Correction. Compensation to the hydroelectric generators will occur through the extension of the concession period for generation grants, which must be approved by ANEEL and appropriated as an intangible asset in exchange for the recovery of electricity costs. The appropriate amount in Cost Recovery is less than the total GSF cost covered by that law.

The Assets constituted by the renegotiation of the non-hydrological risk were recognized at fair value, considering the best estimate of the Company and observing the aspects and conditions provided for in CPC 04 – Intangible Assets as well as the essence of the exploration right received from the Concession Grantor, plus the amounts of compensation calculated by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). The amount was transformed by Aneel into an extension of the concession period, which will be amortized using the straight-line method until the end of the concession period, adjusted with the extension from the renegotiation. Therefore, the subsidiaries Enerpeixe, Lajeado and Energest proceeded with the accounting records in December, according to the estimates released by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) and the additions accepted by ANEEL, totaling an estimated increase of 65.6 months, 13.4 months and 17.8 months, respectively, in the terms of their concessions. This registration was made against operating expenditures (Note 34).

23.1.4 Goodwill – Merger of Parent Company and Provision for maintenance of dividends

Refers to the spun-off portion of goodwill incorporated in subsidiaries EDP São Paulo, EDP Espírito Santo and Lajeado, deriving from the acquisition of said companies' shares, which was accounted for in accordance with CVM Instruction 319/99 and 349/99 and ICPC 09 and, as determined by ANEEL, is being realized based on the curve of expected future income over the subsidiaries' concession period. Due to said record, a tax credit was recognized (Note 10.2.1.4).

The constitution of the provision for maintenance of dividends is aimed at adjusting the amount of goodwill paid to the expected tax benefit by amortization and, consequently, to adjust the flow of future dividends of the subsidiaries, so that it is not adversely affected by the expense incurred in accounting amortization of the goodwill.

The provision is aimed at reducing the amount of goodwill to its net amount (representing the effective tax benefit), a portion that has an economic substance that allows it to be considered an asset as a counterparty to Goodwill Special Reserve in Shareholders' Equity.

23.1.5 Goodwill

Goodwill is the value exceeding the business combination cost regarding the interest of the acquiring company on the fair value of the acquired company's assets and liabilities, that is, the exceeding amounts is the portion overpaid by the acquiring company due to expected future earnings of the acquired company. In acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and goodwill is determined considering the Company's and non-controlling interests. The goodwill determined on investment acquired from undefined term should not be amortized, but is subject to impairment test.

23.2 Changes in intangible assets

	Parent Company				
	Net value at 12/31/2019	Inflows	Transfer to intangible asset in service	Amortization	Net value at 12/31/2020
Intangible asset in service					
Software	9.577		5.823	(3.556)	11.844
Total intangible asset in service	9.577	-	5.823	(3.556)	11.844
Intangible asset under development					
Other intangible assets under development	21.064	9.222	(5.823)		24.463
Total intangible assets under development	21.064	9.222	(5.823)	-	24.463
Total intangible asset	30.641	9.222	-	(3.556)	36.307

	Consolidated									
	Net value at 12/31/2019	Inflows	Transfer to intangible asset in service	Transfers of concession assets	Amortization	Decreases	Transfer of Assets held for sale (Note 17)	Reclassification	Other	Net value at 12/31/2020
Intangible asset in service										
Software	14.876		9.016		(5.307)	(740)	820			18.665
Permanent easement	1.496				(36)					1.460
Concession right - Environmental permits	39.173		(145)		(10.527)	(642)	209			28.068
Concession rights - Infrastructure	1.472.644			199.546	(248.442)	(29.359)		1.369		1.395.758
Concession right - Use of Public Property	92.408	58.238			(5.612)					145.034
Concession right - Other	617.881	388.859			(39.986)					966.754
Total intangible asset in service	2.238.478	447.097	8.871	199.546	(309.910)	(30.741)	1.029	1.369	-	2.555.739
Intangible asset under development										
Other intangible assets under development	57.359	21.032	(8.871)			(378)	2.926	(21)		72.047
Total intangible assets under development	57.359	21.032	(8.871)	-	-	(378)	2.926	(21)	-	72.047
Goodwill	29.646								2.158	31.804
Total intangible asset	2.325.483	468.129	-	199.546	(309.910)	(31.119)	3.955	1.348	2.158	2.659.590

24 Suppliers

		Parent Company		Consolidated	
		Current		Current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Electricity supply (i)	24.1			944.150	710.035
Free Energy	24.2			32.573	122.792
Electricity network utilization charges				152.822	126.687
CCEE Operations	24.3			551.457	512.012
Materials and services	24.4	24.792	13.970	570.444	633.375
Total		24.792	13.970	2.251.446	2.104.901

(i) The total amount of energy purchase guarantees is R$ 206,049 as of December 31, 2020 (R$ 242,050 as of December 31, 2019) in the Parent Company and R$ 351,109 (R$ 383,471 as of December 31, 2019) in the Consolidated.

They are initially recognized at fair value plus any attributable transaction costs. After their initial recognition, are measured at amortized cost using the effective interest rate method, when applicable.

24.1 Electricity supply

The increase in the amounts payable referring to the Supply of electricity on December 31, 2020 is mainly due to the increase in the thermoelectric dispatch by the National System Operator (ONS), which increases the payment of the variable portion of the energy production agreements according to availability.

24.2 Free Energy

Free energy refers to amounts payable to electric power generators for losses occurred in the energy rationing period from June 2001 to February 2002, in which trading of electric power that was not contracted occurred. Subsidiaries EDP São Paulo and EDP Espírito Santo started to refund generators beginning as of February 2003, based on regulations exiting at that time.

The Brazilian Power Regulatory Agency (ANEEL), by means of Normative Resolution 387/09, changed the method for amortizing the balances of Loss of Income and Free Energy, in effect since January 2002 and limited to the period established in ANEEL Resolution 1/04.

ANEEL Order 2517/10, disclosed the amount to be settled between the generation and distribution agents, with restatement t the monthly SELIC Rate. This settlement should have occurred up to September 30, 2010. In order to suspend such act, ABRADEE (Brazilian Association of Electric Power Distributors), representing distributors in Brazil, among them subsidiaries EDP São Paulo e EDP Espírito Santo (Proceeding nº 91.2010.4.01.3400 - 15th Federal Court in the Federal District) filed an Injunction for suspension of said action, which was deferred.

As at May 9, 2013, however, a decision was issued considering this action extinct, without deciding on the merit, because elected action was improper (Injunction). However, payments by subsidiaries EDP São Paulo and EDP Espírito Santo remain suspended, considering in light of the filing of an Appeal against said decision, to which staying effects were attributed (thus, effects of sentence unfavorable to distributors were suspended).

Note that distributors filed, in parallel, a lawsuit with the same purpose as the Injunction, but this was also extinct under the argument that another action with the same parties, same claim and same actual and legal bases (lis pendens) already existed. In view of this decision, an Appeal will also be filed with the Federal Regional Court of the 1st Region and the judgment is pending.

On April 22, 2020, due to changes in the case law regarding the legal figure of the joinder of parties, the distributors hired legal advisors to evaluate such obligations with free energy liabilities.

The management of the distributors considers this change in the jurisprudence of the joinder of parties as an assumption for the accounting framework of the issue as a fact of a substantial change in new contractual terms. Accordingly, according to the opinion of the distributors' external legal advisors, the amount was adjusted, with the amount of R$ 90,219 as at December 31, 2020 in financial income (financial expense in 2019 of R$ 6,912) (Note 35).

24.3 CCEE Operations

The balance refers to the transactions of sold energy and charges in the in the sphere of Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). Of the balance at December 31, 2020 of R$ 551,457: (i) R$ 419,334 refers to Enerpeixe and corresponds substantially to the application of the *Generation Scaling Factor* – GSF, which measures the volume of energy generated by the hydroelectric power plants, plus inflation adjustment since March 2015; and (ii) R$ 90,901, refers to the distributors EDP São Paulo and EDP Espírito Santo, impacted by the decrease in the value of PLD in the short-term setting.

Enerpeixe, through Brazilian Association for Independent Electricity Producers (Associação Brasileira dos Produtores Independentes de Energia Elétrica - APINE), proposed, on June 18, 2015, a lawsuit intended to prevent and repair damages that Enerpeixe, since January 2014, is suffering as a result of Union actions that changed objective, factual and legal conditions related to decisions made regarding investment in hydropower generation and frustrated the generation of hydroelectric power plants.

On July 1, 2015, an injunction preventing application of MRE (power reallocation mechanism) adjustment by ANEEL was granted, in case total MRE generation is lower than physical guarantee given to the group of companies represented by APINE until said lawsuit is finally decided.

This decision stopped damages suffered as a result of current GSF values, values that reflect, from the beginning of 2014, the circumstance that hydropower generation was reduced by several Union actions, both structural and conjunctural.

The injunction filed by APINE which, through an appeal, managed to reinstate the injunction, had been revoked by February 7, 2018. On October 22, 2018 the decision of the Chief Justice of the STJ was issued, in the records of the Action for Overturning the Injunction and Decision filed by ANEEL, determining the partial overturn of the injunction of APINE, under the terms of the issued decision on ordinary lawsuit, related to the GSF.

Due to this, the period from July 2015 to February 2018 remains protected. Thus, the amounts resulting from the application of the GSF have been settled by Enerpeixe since the period of March 2018.

One of the premises for adhering to the conditions for reimbursement of the non-hydrological risk of the GSF, established in Law 14.052/20 (Note 23.1.3.1) provides for a waiver of the right of judicial discussion of the GSF and withdrawal of lawsuits that include the aforementioned injunction. Accordingly, Enerpeixe understands that the regulatory procedures for the approval of the extension of the concession and, consequently, for the settlement of the balance currently protected by an injunction, are expected to be completed during the first semester of 2021.

24.4 Materials and services

As of December 31, out of the consolidated amount of R$ 570,444 (R$ 633,375 as of December 31, 2019):

(i) R$ 223,658 (R$ 168,073 as of December 31, 2019), which refer to the distribution subsidiaries and correspond to investments in the concession infrastructure, as mentioned in note 20.1.1; and

(ii) R$ 152,606 (R$ 357,435 as of December 31, 2019), which refer to the transmission subsidiaries and correspond to the investments for the construction of transmission lines. The reduction in the year was impacted by the partial stoppage of works, due to COVID-19 (Note 4.8.3.3).

25 Debentures

25.1 Breakdown of balance of debentures

												Parent Company									
												12/31/2020					12/31/2019				
												Charges		Principal			Charges		Principal		
Fiduciary Agent	Company	Type of issue	Quantity of securities	Unit value	Total amount	Issue date	Agreement term	Purpose	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP - Energias do Brasil	CVM Instruction 400/03	179.887	1	179.887	2nd series of 4th issue as at September 15, 2015	09/15/2015–09/15/2021	Intended for investments in Company's projects	IPCA + 8.3201% p.a. up to 03/14/2016 IPCA + 8.8201% p.a. as from March 15, 2016 (ii)	Annual amortizations beginning as of September 2019 and interest (six-month period)		2.413		83.800		86.213	4.042		51.799	91.778	147.619
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP - Energias do Brasil	CVM Instruction 400/03	48.066	1	48.066	3rd series of 4th issue as at September 15, 2015	09/15/2015–09/15/2024	Intended for investments in Company's projects	IPCA + 8.2608% p.a. up to 03/14/2016 IPCA + 8.7608% p.a. as from March 15, 2016 (ii)	Annual amortizations beginning as of September 2022 and interest (six-month period)		1.581			50.023	51.604	1.611			57.557	59.168
(-) Issue costs	EDP - Energias do Brasil				(16.347)		09/15/2015–09/15/2024			Monthly amortization				(159)	(303)	(462)			(289)	(667)	(956)
Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP - Energias do Brasil	CVM Instruction 476/09	25.000	10	250.000	5th issue as at March 22, 2016	03/22/2016–04/15/2022	Intended for investments in Company's projects	IPCA + 8.3479% p.a.	Annual amortizations beginning as of April 2021 and interest (six-month period)		6.465		145.160	154.579	306.204	6.237			284.953	291.190
(-) Issue costs	EDP - Energias do Brasil				(7.097)		03/22/2016–04/15/2022			Monthly amortization				(837)	(192)	(1.029)				(2.484)	(2.484)
Total												10.459	-	227.964	204.107	442.530	11.890	-	51.510	431.137	494.537

												Consolidated									
												12/31/2020					12/31/2019				
												Charges		Principal			Charges		Principal		
Fiduciary Agent	Company	Type of issue	Quantity of securities	Unit value	Total amount	Issue date	Agreement term	Purpose	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP Espírito Santo	CVM Instruction 476/09	17.680	10	176.800	3rd issue as at August 27, 2014	08/27/2014–08/27/2020	Debt extension and working capital.	CDI + 1.50% p.a. up to 02/25/2016 CDI + 1.80% p.a. as from February 26, 2016 (i)	Six-month period principal as at August 27, 2018 and interest (six-month period)						-	1.709		70.720		72.429
(-) Issue costs	EDP Espírito Santo				(599)		08/27/2014–08/27/2020			Monthly amortization						-			(20)		(20)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP Espírito Santo	CVM Instruction 476/09	19.000	10	190.000	5th issue as at April 7, 2017	04/07/2017–04/07/2022	Refinance and extend the average term of the debt and working capital.	108.75% CDI p.a.	Six-month period principal as from April 2020 and interest (six-month period)		540		76.000	38.000	114.540	2.352		76.000	114.000	192.352
(-) Issue costs	EDP Espírito Santo				(1.301)		04/07/2017–04/07/2022			Monthly amortization				(133)	(17)	(150)			(264)	(150)	(414)
Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP Espírito Santo	CVM Instruction 476/09	22.000	10	220.000	6th issue as at December 20, 2017	12/20/2017–01/20/2021	Refinance and extend the average term of the debt and working capital.	107.50% CDI p.a.	Annual principal starting January 2020 and Interest (six-month period).		1.027		110.000		111.027	5.688		110.000	110.000	225.688
(-) Issue costs	EDP Espírito Santo				(1.289)		12/20/2017–01/20/2021			Monthly amortization				(14)		(14)			(275)	(14)	(289)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários	EDP Espírito Santo	CVM Instruction 476/09	190.000	1	190.000	7th issue as at August 15, 2018	08/15/2018–07/15/2025	Expansion, renewal and improvement of the electric power distribution infrastructure	IPCA + 5.91%	Annual principal starting August 2023 and interest (six-month period)		5.153			206.350	211.503	4.971			197.056	202.027
(-) Issue costs	EDP Espírito Santo				(2.941)		08/15/2018–07/15/2025			Monthly amortization					(1.793)	(1.793)				(2.284)	(2.284)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários	EDP Espírito Santo	CVM Instruction 476/09	300.000	1	300.000	8th issue as at March 30, 2019	04/09/2019–03/30/2024	Refinance and extend the average term of the debt and working capital	106.90% CDI p.a.	Principal in single installment on maturity date and six-month period interest		1.516			300.000	301.516	3.989			300.000	303.989
(-) Issue costs	EDP Espírito Santo									Monthly amortization					(694)	(694)				(908)	(908)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários	EDP Espírito Santo	CVM Instruction 476/09	150.000	1	150.000	9th issue as at April 7, 2020	04/09/2020–04/07/2021	Working capital	CDI + 3.00% p.a.	Principal and interest with single installment at the end of contract		5.194		150.000		155.194					-
(-) Issue costs	EDP Espírito Santo									Monthly amortization				(354)		(354)					-
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP São Paulo	CVM Instruction 476/09	15.000	10	150.000	7th issue as at April 4, 2017	04/07/2017–04/07/2022	Refinance and extend the average term of the debt and working capital.	108.75% CDI p.a.	Six-month period principal as from April 2020 and interest (six-month period)		425		60.293	30.000	90.718	2.476		60.001	90.000	152.477
(-) Issue costs	EDP São Paulo				(1.052)		04/07/2017–04/07/2022			Monthly amortization				(107)	(14)	(121)			(196)	(139)	(335)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP - Energias do Brasil	CVM Instruction 400/03	179.887	1	179.887	2nd series of 4th issue as at September 15, 2015	09/15/2015–09/15/2021	Intended for investments in Company's projects	IPCA + 8.3201% p.a. up to 03/14/2016 IPCA + 8.8201% p.a. as from March 15, 2016 (ii)	Annual amortizations beginning as of September 2019 and interest (six-month period)		2.413		83.800		86.213	4.042		51.799	91.778	147.619
(-) Issue costs	EDP São Paulo				(1.183)		12/20/2017–01/20/2021			Monthly amortization				(13)		(13)			(250)	(13)	(263)
Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP São Paulo	CVM Instruction 476/09	20.000	10	200.000	8th issue as at December 20, 2017	12/20/2017–01/20/2021	Refinance and extend the average term of the debt and working capital.	107.50% CDI p.a.	Annual principal starting January 2020 and Interest (six-month period).		933		100.000		100.933	5.171		100.000	100.000	205.171
(-) Issue costs	EDP São Paulo				(3.948)		08/15/2018–08/15/2025			Monthly amortization					(2.407)	(2.407)				(3.069)	(3.069)

												Consolidated									
												12/31/2020					12/31/2019				
												Charges		Principal			Charges		Principal		
Fiduciary Agent	Company	Type of issue	Quantity of securities	Unit value	Total amount	Issue date	Agreement term	Purpose	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários	EDP São Paulo	CVM Instruction 476/09	260.000	1	260.000	9th issue as at August 15, 2018	08/15/2018–08/15/2025	Expansion, renewal and improvement of the electric power distribution infrastructure	IPCA + 5.91%	Annual principal starting August 2023 and interest (six-month period)		17.233			271.900	289.133	7.001			268.834	275.835
(-) Issue costs	EDP São Paulo									Monthly amortization					(557)	(557)				(728)	(728)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários	EDP São Paulo	CVM Instruction 476/09	200.000	1	200.000	10th issue as at March 30, 2019	04/09/2019–03/30/2024	Refinance and extend the average term of the debt and working capital	106.60% CDI p.a.	Principal in single installment on maturity date and six-month period interest		1.008			200.000	201.008	2.652			200.000	202.652
(-) Issue costs	EDP - Energias do Brasil				(16.347)		09/15/2015–09/15/2024			Monthly amortization				(159)	(303)	(462)			(289)	(667)	(956)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.	Lajeado Energia	CVM Instruction 476/09	100.000	1	100.000	3rd issue as at November 14, 2018	11/14/2018–10/20/2022	Working Capital for Debt Refinancing	109.25% CDI p.a.	Annual principal starting October/2021 and interest (six-month period)		410		50.000	50.000	100.410	1.013			100.000	101.013
(-) Issue costs	EDP - Energias do Brasil				(7.097)		03/22/2016–04/15/2022			Monthly amortization				(837)	(192)	(1.029)				(2.484)	(2.484)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP - Energias do Brasil	CVM Instruction 400/03	48.066	1	48.066	3rd series of 4th issue as at September 15, 2015	09/15/2015–09/15/2024	Intended for investments in Company's projects	IPCA + 8.2608% p.a. up to 03/14/2016 IPCA + 8.7608% p.a. as from March 15, 2016 (ii)	Annual amortizations beginning as of September 2022 and interest (six-month period)		1.581			50.023	51.604	1.611			57.557	59.168
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	Lajeado Energia	CVM Instruction 476/09	100.000	1	100.000	4th issue at 11/19/2019	11/19/2019–11/19/2020	Working Capital for Debt Refinancing	CDI + 0.20% p.a.	Principal and interest in single statement in the maturity date						-	493		100.000		100.493
(-) Issue costs	Lajeado Energia				(1.635)		12/08/2017–12/08/2022			Monthly amortization				(160)	(78)	(238)			(37)	(481)	(518)
Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP - Energias do Brasil	CVM Instruction 476/09	25.000	10	250.000	5th issue as at March 22, 2016	03/22/2016–04/15/2022	Intended for investments in Company's projects	IPCA + 8.3479% p.a.	Annual amortizations beginning as of April 2021 and interest (six-month period)		6.465		145.160	154.579	306.204	6.237			284.953	291.190
(-) Issue costs	Lajeado Energia				(351)		11/14/2018–10/20/2022			Monthly amortization				(92)	(41)	(133)				(417)	(417)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	Enerpeixe	CVM Instruction 476/09	35.000	10	350.000	1st issue as at November 22, 2016	11/22/2016–05/22/2020	Capital decrease and distribution of funds to shareholders	114.50% of CDI p.a. up to November 22, 2019; and 100% of CDI + 0.43% p.a. up to May 22, 2020	Annual principal starting November/2018 and interest (six-month period)	Fiduciary assignment of credit receivables from energy agreements					-	529		87.500		88.029
(-) Issue costs	Lajeado Energia						11/19/2019–11/19/2020			Monthly amortization						-			(43)		(43)
Oliveira Trust Distribuidora de Títulos e Valores Mobiliários	Lajeado Energia	CVM Instruction 476/09	100.000	1	100.000	1st series of 2nd issue as at 12/08/2017	12/08/2017–12/08/2020	Re-adjustment of the capital structure, with capital decrease.	109% CDI p.a.	Principal in single installment in December/2020 and Interest (six-month period)						-	285		100.000		100.285
Oliveira Trust Distribuidora de Títulos e Valores Mobiliários	Lajeado Energia	CVM Instruction 476/09	200.000	1	200.000	2nd series of 2nd issue as at 12/08/2017	12/08/2017–12/08/2022	Re-adjustment of the capital structure, with capital decrease.	113.70% CDI p.a.	Annual principal starting December 2021 and interest (six-month period)		271		100.000	100.000	200.271	597			200.000	200.597
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.	Enerpeixe	CVM Instruction 476/09	255.000	1	255.000	3rd issue as at November 23, 2018	11/23/2018–11/23/2023	Debt extension.	112.48% CDI p.a.	Principal in single parcel in November/2023 and interest (six-month period)		582			255.000	255.582	1.222			255.000	256.222
(-) Issue costs	Enerpeixe				(2.048)		11/20/2017–12/20/2022			Monthly amortization				(304)	(127)	(431)			(468)	(445)	(913)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP Transmissão	CVM Instruction 476/09	115.000	1	115.000	1st issue as at May 15, 2018	05/15/2018–05/15/2033	Implementation of the transmission line and substation project of lot 24 of auction 13/2015-ANEEL	IPCA + 7.0267% p.a.	Principal and interest (six-month period) as at May/2021	a. Corporate guarantee of EDP - Energias do Brasil; b. conditional sale of shares.	24.527		25.978	101.434	151.939		13.933		121.643	135.576
(-) Issue costs	Enerpeixe				(510)		11/23/2018–11/23/2023			Monthly amortization					(301)	(301)				(405)	(405)
Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda.	Enerpeixe	CVM Instruction 476/09	32.000	10	320.000	2nd issue as at November 20, 2017	11/20/2017–12/20/2022	Re-leveraging and capital decrease	116% CDI p.a.	Six-month principal starting June 2020 and interest (six-month period)	Fiduciary assignment of credit receivables from energy agreements	129		106.624	106.752	213.505	380		106.645	213.355	320.380
(-) Issue costs	Porto do Pecém				(3.484)		11/14/2016–11/14/2021			Monthly amortization				(345)		(345)			(741)	(345)	(1.086)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.	Porto do Pecém	CVM Instruction 476/09	33.000	10	330.000	1st issue as at November 14, 2016	11/14/2016–11/14/2021	Early Settlement of IDB (Inter-American Development Bank) financing	CDI + 2.95% p.a.	Annual principal starting November 2020 and interest (six-month period)	Corporate guarantee of EDP - Energias do Brasil	1.010		165.000		166.010	3.061		165.000	165.000	333.061
(-) Issue costs	EDP Transmissão				(7.774)		05/15/2018–05/15/2033			Monthly amortization				(822)	(4.773)	(5.595)				(6.443)	(6.443)

												Consolidated									
												12/31/2020					12/31/2019				
												Charges		Principal			Charges		Principal		
Fiduciary Agent	Company	Type of issue	Quantity of securities	Unit value	Total amount	Issue date	Agreement term	Purpose	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP Transmissão Aliança	CVM Instruction 476/09	1.200.000	1	1.200.000	1st issue as at October 15, 2018	10/15/2018–10/15/2028	Implementation of the transmission line and substation project of lot 21 of auction 05/2016-ANEEL	IPCA + 6.7200% p.a.	Six-month principal starting April/2023 and interest (six-month period)	a. Corporate Guarantees of EDP - Energias do Brasil and Celesc proportional to their equity interest; b. Blocked deposits.	20.818			1.296.750	1.317.568	22.121			1.238.436	1.260.557
(-) Issue costs	EDP Transmissão Aliança				(56.660)		10/15/2018–10/15/2028			Monthly amortization					(41.681)	(41.681)			16	(47.573)	(47.557)
Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários	EDP Transmissão SP-MG	CVM Instruction 476/09	800.000	1	800.000	2nd issue as at 07/15/2019	07/15/2019–07/15/2039	Implementation of the transmission line and substation project of lot 18 of auction 05/2016-ANEEL	IPCA + 4.45% p.a.	Six-month principal starting July 2022 and interest (six-month period)	a. Corporate guarantee of EDP - Energias do Brasil		57.396		840.404	897.800		13.896		802.185	816.081
(-) Issue costs	EDP Transmissão SP-MG				(984)		01/29/2019–06/15/2020			Monthly amortization						-			(311)		(311)
Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.	EDP Transmissão SP-MG	CVM Instruction 476/09	25.000	10	250.000	1st issue as at December 13, 2018	01/29/2019–06/15/2020	Implementation of the transmission line and substation project of lot 18 of auction 05/2016-ANEEL	CDI + 0.20% p.a.	Principal and interest in single statement in the maturity date	a. Corporate guarantee of EDP - Energias do Brasil					-	18.819		250.000		268.819
(-) Issue costs	EDP Transmissão SP-MG				(56.278)		07/15/2019–07/15/2039			Monthly amortization					(50.159)	(50.159)				(54.546)	(54.546)
Total												91.235	57.396	1.169.515	3.898.055	5.216.201	96.419	27.829	1.274.787	4.788.686	6.187.721

(i) According to clause 4.2.3.2. of the indenture, which provides for an increase of 0.3% in the annual rate in the event of downgrade by at least two notches in the rating of the issuer before the issuing date. On February 25, 2016 the rating of EDP Espírito Santo was downgraded by Moody's from "Aa1.br" in the local scale and "Baa3" in the global scale to "Aa2.br" in the local scale and "Ba2" in the global scale.
(ii) According to clause 9.1. of the indenture, which provides for an increase of 0.5% in the annual spread in the event of a downgrade by at least two notches in the rating of the issuer before the issuing date. On February 25, 2016 the Company's rating was downgraded by Moody's from "Aa3.br" in the local scale and "Ba2" in the global scale to "A2.br" in the local scale and "Ba3" in the global scale.

Debentures are stated at the net value of transaction costs incurred and subsequently measured at the amortized cost using the effective interest rate method.
The total amount related to the guarantees of the debentures mentioned above in the Company is R$ 2,401,560 as of December 31, 2020 (R$ 2,912,371 as of December 31, 2019), and R$ 2,746,822 as of December 31, 2020 (R$ 3,447,640 as of December 31, 2019) in the Consolidated.

25.2 Changes in debentures

	Parent Company						
	Net value as of December 31, 2019	Payments	Accrued interest	Transfers	Amortization of transaction cost	Inflation adjustment and exchange-rate change	Net value as of December 31, 2020
Current							
Principal	51.799	(73.540)		233.431		17.270	228.960
Interest	11.890	(40.487)	39.056				10.459
Transaction cost	(289)			(2.656)	1.949		(996)
	63.400	(114.027)	39.056	230.775	1.949	17.270	238.423
Non-current							
Principal	434.288			(233.431)		3.745	204.602
Transaction cost	(3.151)			2.656			(495)
	431.137	-	-	(230.775)	-	3.745	204.107

	Consolidated							
	Net value as of December 31, 2019	Inflows	Payments	Accrued interest	Transfers	Amortization of transaction cost	Inflation adjustment and exchange-rate change	Net value as of December 31, 2020
Current								
Principal	1.277.665	150.000	(1.299.384)		1.022.022		22.552	1.172.855
Interest	96.419		(276.778)	250.443	12.317		8.834	91.235
Transaction cost	(2.878)	(1.521)			(17.974)	19.033		(3.340)
	1.371.206	148.479	(1.576.162)	250.443	1.016.365	19.033	31.386	1.260.750
Non-current								
Principal	4.909.797				(1.022.022)		113.417	4.001.192
Interest	27.829			41.884	(12.317)			57.396
Transaction cost	(121.111)				17.974			(103.137)
	4.816.515	-	-	41.884	(1.016.365)	-	113.417	3.955.451

25.3 Maturity of installments

Maturity	Parent Company	Consolidated
Current		
2021	238.423	1.260.750
	238.423	1.260.750
Non-current		
2022	159.231	679.299
2023	27.206	625.993
2024	17.670	879.347
2025		922.549
2026		177.330
2027–2039		670.933
	204.107	3.955.451
Total	442.530	5.216.201

Issues made by the Company and its subsidiaries are not convertible into shares.

The main clauses which provide the termination of the contracts are as follows, while all clauses can be consulted in the prospectus or indenture:

On December 31, 2020, the Company and the subsidiaries EDP São Paulo, EDP Espírito Santo, Lajeado, Enerpeixe, EDP Transmissão, EDP Transmissão Aliança, EDP Transmissão SP-MG and Porto do Pecém are in full compliance with all the restrictive clauses of the covenants provided in the debenture contracts.

EDP - Energias do Brasil

• For both issuances:

(i) Non-compliance by the Issuer with any monetary obligation in the Indenture, not remedied in the period established by the Indenture;

(ii) Failure to comply with any obligation related to the principal and/or yield not resolved within the stipulated period;

(iii) Voluntary bankruptcy request;

(iv) Request for court-ordered reorganization, out-of-court reorganization, voluntary bankruptcy, settlement or wind-up of the Company or Relevant Subsidiaries - EDP São Paulo, EDP Espírito Santo, Enerpeixe, or whose income represents more than 20% of the Company's consolidated income, as well as bankruptcy request not resolved within legal period;

(v) The Issuer's failure to maintain a Consolidated Net Debt in relation to Consolidated EBITDA financial ratio in relation to Consolidated EBITDA no more than 3.5 on the calculation dates, which shall be September 30 and December 31 of each year;

(vi) Protest of trade note against the Issuer and/or its Relevant Subsidiaries, whose individual value, or added value, exceeds R$75,000, provided that it has not been proven by the Issuer to the Fiduciary Agent, which was refuted in good faith and/or has not been solved within 30 days counted as of subpoena; and

(vii) Arrest, seizure, pledge or any other restriction to assets and/or rights, or early maturity of any pecuniary obligation of the Issuer and/or its Relevant Subsidiaries, with individual or added value higher than R$75,000, or its equivalent in other currencies.

• Specific for the 4th issue:

(i) Merger, liquidation, wind-up, extinction, spin-off and/or any other form of corporate reorganization (including takeover and/or incorporation of shares) of the Issuer, except if: (a) disclosed by the Issuer through relevant fact or communication to the market up to Issuance Indenture date; (b) due to legal or regulatory determination; (c) previous consent of debentureholders that represent at least 2/3 of outstanding debentures, gathered in an General Debentureholders' Meeting especially convened for that purpose; or (d) not cause change in Issuer's rating to a score lower than: (aa) "AA-" (double A minus) by Standard & Poor's Ratings do Brasil Ltda.; (bb) "Aa3.br" by Moody's; or (cc) "AA-" (double A minus) by Fitch Ratings Brasil Ltda.;

(ii) Notification of payment deriving from final court decision or final arbitration decision against the Issuer and/or its Relevant Subsidiaries, with individual or added value higher than R$75,000, or its equivalent in other currencies; and

(iii) Sale, assignment, rent or any other form of disposal or promised disposal of total or relevant portion of the Issuer's assets and/or of its Relevant Subsidiaries, whose individual or added value is higher than R$ 75,000, without previous approval of Debenture holders that represent at least 2/3 of Outstanding Debentures, gathered in an General Debentureholders' Meeting (AGD) especially convened for that purpose, except for disposal of assets or projects, individually considered, provided that the Issuer did not disclose them through relevant fact or communication to the market and that they have current or future individual installed capacity of up to 70MW, in such a way that substantially and adversely affects economic and/or financial condition of the Issuer.

• Specific for the 5th issue:

(i) Merger, liquidation, wind-up, extinction, spin-off and/or any other form of corporate reorganization (including takeover and/or incorporation of shares) of the Issuer, except if: (a) by legal or regulatory determination (except, in this case, the possibility of extinction); (b) prior consent granted from the Debentureholders that represent at least 75% (seventy-five per cent) of Debenture holders attending the General Debentureholders' Meeting (AGD), specially convened for such purpose; or (c) do not provoke the downgrade of the Issue rating by 2 (two) or more notches; and

(ii) Fail by the Issuer of Relevant Subsidiaries to abide by the final and unappealable decision, or any unappealable administrative or arbitrage decision or outcome against the Issuer, which individual or aggregate amount is equal to or in excess of R$75,000 (seventy-five thousand reais), or its equivalent in other currencies, and provided that, cumulatively, at the discretion of the Debentureholders, it could put at risk the fulfillment of the obligations assumed by the Issuer.

Subsidiaries

(i) EDP São Paulo (7th, 8th, 9th and 10th issues): the Issuer's failure to maintain a Net Debt/Adjusted EBITDA financial ratio(*) of no more than 3.5 on the calculation date, which is on December 31 of each year.

(iii) EDP Espírito Santo (5th, 6th, 7th, 8th and 9th issues): the Issuer's failure to maintain a Net Debt/EBITDA financial ratio adjusted(*) no more than 3.5 on the calculation date, which shall be December 31 of each year;

(iv) EDP São Paulo (8th issue) and EDP Espírito Santo (6th issue): Issuer entering into loan contracts in the capacity of lender without previous and express consent of Debentureholders of at least 2/3 of outstanding debentures with any companies at individual or added value higher than R$100,000.

(v) EDP Espírito Santo (5th and 6th issues): early maturity of any pecuniary obligation of the Issuer in local or international market at amount higher than R$75,000.

(vi) Lajeado (2nd and 3rd issues): the Issuer's failure to maintain a Net Debt in relation to EBITDA financial ratio or EBITDA no more than 3.5 times on the calculation dates, which shall be December 31 of each year.

(vii) Lajeado (2nd and 3rd issues): non-compliance with a final (res judicata) conviction in a lawsuit whose individual or aggregate value is greater than R$ 75,000, without any action having been taken by the Company, in good faith, for court orders to suspend or reverse the effects.

(viii) Porto do Pecém (1st issue): non-compliance: (a) by the Issuer, of the Debt Service Coverage Ratio - ICSD greater than or equal to 1.2 times, to be annually determined, on December 31 of each year, as from December 31, 2017; and (b) by the Guarantor (EDP - Energias do Brasil), of the net debt/EBITDA financial ratio lower or equal to 3.5 times.

(ix) Enerpeixe (2nd and 3rd issues): not fulfillment by the Issuer, of the Debt Service Coverage Ratio greater than or equal to 3.5 times, to be annually determined, on December 31 of each year.

(x) EDP Transmissão (1st issue): early maturity of any pecuniary liability: (a) of the Issuer, where the individual or aggregate value exceeds R$10,000; and/or (b) of the Guarantor (EDP - Energias do Brasil), where the individual or aggregate value exceeds R$75,000.

(xi) EDP Transmissão (1st issue): non-maintenance: (a) by the Issuer to keep the Adjusted DSCR (debt service coverage ratio) at 1.2 x or higher, calculated annually, with the first calculation appearing in the financial statements of December 31, 2021; (b) by the Guarantor (EDP - Energias do Brasil) of the Net Debt to EBITDA ratio at 3.5x or lower, calculated biannually, with the first calculation appearing in the financial statements of December 31, 2018.

(xii) EDP Transmissão Aliança (1st issue) and EDP Transmission SP-MG (2nd issue): early maturity of any pecuniary liability of the issuer or of the intervening guarantor, where the individual or aggregate amount exceeds R$75,000, if not remedied within 10 days, or if a protest was filed for error or bad faith, or if it has been cancelled, or had its enforceability suspended by a legal process.

(xiii) EDP Transmissão Aliança (1st issue): maintenance of Net Debt to EBITDA ratio below or equal to 3.5 times that of EDP - Energias do Brasil, determined biannually in June and December.

(xiv) EDP Transmission SP-MG (2nd issue): maintenance of Net Debt to EBITDA ratio below or equal to 3.5 times that of EDP - Energias do Brasil, determined annually in December.

(*) Adjusted EBITDA means "income before financial expenses, taxes, depreciation and amortization adjusted with assets and liabilities of the Account for Compensation of Variation of Values of Parcel "A" Items (CVA), over contracting and neutrality of sectorial charges".

26 Loans, financing and debt charges

26.1 Composition of balance of Loans, financing and debt charges

											Parent Company									
											12/31/2020					12/31/2019				
											Charges		Principal			Charges		Principal		
	Company	Contracted amount	Contracting date	Amount released	Agreement term	Purpose	Covenants	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Energest S.A.	EDP - Energias do Brasil S.A.	400.000	03/07/2020	100.000	07/03/2020–07/02/2024	Loan agreements		100.3% CDI	Principal and interest with single installment at the end of contract			934		100.000	100.934					-
											-	934	-	100.000	100.934	-	-	-	-	-

											Consolidated									
											12/31/2020					12/31/2019				
											Charges		Principal			Charges		Principal		
Institution	Company	Contracted amount	Contracting date	Amount released	Agreement term	Purpose	Covenants	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
Domestic currency																				
BNDES - FINEM / 14.2.1238.1	EDP São Paulo	296.785	28/12/2014	253.733	12/28/2014–12/16/2024	Investment program for the period 2013–2015	Net debt in relation to Adjusted EBITDA ratio (ii) equal or below 3.5, annually calculated in December.	TJLP to TJLP + 3.05% p.a., IPCA + TR (iii) + 3.05% p.a., and Pre of 6.00% p.a.	Monthly principal with interest in the quarterly grace period, after that, monthly. Annual principal and interest (iv)	a. Blocked deposits; b. Corporate guarantee of EDP Energias do Brasil.	3.430		58.948	72.602	134.980	2.613		42.915	97.975	143.503
(-) Transaction cost	EDP São Paulo		28/12/2014	(1.134)	12/28/2014–12/16/2024								(163)	(81)	(244)			(178)	(243)	(421)
Promissory Notes (5th issue)	EDP São Paulo	300.000	19/07/2019	300.000	07/19/2019–07/17/2024	Refinance and extend the average term of the debt and working capital.	Net debt in relation to Adjusted EBITDA ratio (i) equal or below 3.5, annually calculated in December.	106.58% CDI	Principal and interest with single installment at the end of contract			16.857		300.000	316.857		7.771		300.000	307.771
(-) Transaction cost	EDP São Paulo		19/07/2019	(507)	07/19/2019–07/17/2024									(357)	(357)				(457)	(457)
BNDES - FINEM / 17.2.0295.1	EDP São Paulo	399.733	05/09/2017	158.600	09/05/2017–06/15/2025	Investment program for the period 2016–2018	Net debt in relation to Adjusted EBITDA ratio (ii) equal or below 3.5, annually calculated in December.	TJLP + 2.96% p.a. IPCA + 3.23% p.a.	a)Monthly principal with interest in the quarterly grace period, after that, monthly; b) Annual principal and interest.	a. Fiduciary assignment of at least 130% of the amount of the debt balance; b. Corporate guarantee of EDP Energias do Brasil.	4.270		49.111	120.581	173.962	13.226		26.347	130.077	169.650
(-) Transaction cost	EDP São Paulo		05/09/2017	(3.498)	09/05/2017–06/15/2025								(506)	(826)	(1.332)			(626)	(1.332)	(1.958)
Promissory notes (6th Issue)	EDP São Paulo	350.000	03/04/2020	350.000	04/03/2020–03/29/2021	Working capital	Net debt in relation to Adjusted EBITDA ratio (i) equal or below 3.5, annually calculated in December.	CDI + 3.00%	Principal and interest with single installment at the end of contract		13.771		350.000		363.771					-
(-) Transaction cost	EDP São Paulo	(3.971)	03/04/2020		04/03/2020–03/29/2021								(998)		(998)					-
Promissory Notes (7th Issue)	EDP São Paulo	120.000	08/04/2020	120.000	04/08/2020–04/03/2021	Working capital	Net debt in relation to Adjusted EBITDA ratio (i) equal or below 3.5, annually calculated in December.	CDI + 3.00%	Principal and interest with single installment at the end of contract		4.624		120.000		124.624					-
(-) Transaction cost	EDP São Paulo	(1.208)	08/04/2020		04/08/2020–04/03/2021								(373)		(373)					-
BNDES - FINEM / 14.2.1237.1	EDP Espírito Santo	270.924	28/12/2014	249.593	12/28/2014–12/16/2024	Investment program for the period 2013–2015	Net debt in relation to Adjusted EBITDA ratio (ii) equal or below 3.5, annually calculated in December.	TJLP to TJLP + 3.05% p.a., IPCA + TR (iii) + 3.05% p.a., and Pre of 6.00% p.a.	Monthly principal with interest in the quarterly grace period, after that, monthly. Annual principal and interest (iv)	a. Blocked deposits; b. Corporate guarantee of EDP Energias do Brasil	3.108		56.864	69.851	129.823	2.778		42.119	95.515	140.412
(-) Transaction cost	EDP Espírito Santo		28/12/2014	(1.390)	12/28/2014–12/16/2024				Monthly amortization of transaction cost				(169)	(74)	(243)			(199)	(243)	(442)
Eletrobras LPT - ECFS 181/07	EDP Espírito Santo	75.764	25/06/2007	44.821	04/30/2010–04/30/2020	Luz para Todos (Light for All) Program		5% p.a. + 1.5% p.a (mgt. fee)	Monthly principal and interest	a. Promissory notes; b. Receivables in guarantee.					-	11		1.887		1.898
Eletrobras LPT - ECFS 258/09	EDP Espírito Santo	56.737	28/08/2009	20.687	01/30/2012–12/30/2021	Luz para Todos (Light for All) Program		5% p.a. + 1.5% p.a (mgt. fee)	Monthly principal and interest	a. Promissory notes; b. Receivables in guarantee.			1.702		1.702	18		1.921	1.625	3.564
BNDES - FINEM / 17.2.0296.1	EDP Espírito Santo	354.078	05/09/2017	174.093	09/05/2017–06/15/2025	Investment program for the period 2016–2018	Net debt in relation to Adjusted EBITDA ratio (i) equal or below 3.5, annually calculated in December.	TJLP + 2.96% p.a. IPCA + 3.23% p.a.	a)Monthly principal with interest in the quarterly grace period, after that, monthly; b) Annual principal and interest.	a. Fiduciary assignment of at least 130% of the amount of the installment due in the subsequent month; b. Corporate guarantee of EDP Energias do Brasil.	4.575		64.089	120.738	189.402	12.807		31.248	139.508	183.563
(-) Transaction cost	EDP Espírito Santo		05/09/2017	(2.676)	09/05/2017–06/15/2025				Monthly amortization of transaction cost				(388)	(644)	(1.032)			(477)	(1.030)	(1.507)
MFUG - Bill of Exchange	EDP Espírito Santo	200.000	20/02/2020	200.000	02/20/2020–02/22/2021	Working capital	Net debt in relation to EBITDA ratio equal or below 3.5, quarterly calculated in March, June, September and December.	CDI + 0.10% p.a.	Principal and interest with single installment at the end of contract	Promissory Note	4.522		200.000		204.522					-
Promissory Notes (1st issue)	EDP Espírito Santo	150.000	08/04/2020	150.000	04/08/2020–04/03/2021	Working Capital	Net debt in relation to Adjusted EBITDA ratio (i) equal or below 3.5, annually calculated in December.	CDI + 2.50% p.a.	Principal and interest with single installment at the end of contract		5.231		150.000		155.231					-
(-) Transaction cost	EDP Espírito Santo	(1.360)	08/04/2020		02/20/2020–02/22/2021				Monthly amortization of transaction cost				(419)		(419)					-
Promissory Notes (1st issue)	Energest	100.000	15/05/2020	100.000	05/15/2020–05/16/2022	Working capital	Net debt in relation to EBITDA ratio (i) equal or below 3.5, annually calculated in December.	CDI + 2.75% p.a.	Principal and interest with single installment at the end of contract			3.068		100.000	103.068					-
(-) Transaction cost	Energest	(1.780)	15/05/2020		05/15/2020–05/16/2022				Principal and interest with single installment at the end of contract					(1.226)	(1.226)					-

											Consolidated									
											12/31/2020					12/31/2019				
											Charges		Principal			Charges		Principal		
Institution	Company	Contracted amount	Contracting date	Amount released	Agreement term	Purpose	Covenants	Debt cost	Payment method	Guarantees	Current	Non-current	Current	Non-current	Total	Current	Non-current	Current	Non-current	Total
BNDES	Porto do Pecém	1.410.000	10/06/2009	1.402.000	07/09/2009–06/15/2026	Implementation of thermoelectric power plant Pecém I.	Debt Service Coverage Ratio higher than or equal to 1.20, determined on annual basis in December.	2.77% p.a. above TJLP	Monthly principal and interest	a. Lien on shares; b. Bank guarantee; c. Assignment of rights and contracts; d. Promissory notes; e. Mortgage; and f. Disposal of assets.	2.146		123.110	554.088	679.344	2.692		130.244	670.084	803.020
(-) Transaction cost	Porto do Pecém	(11.286)	10/06/2009	(11.286)	07/09/2009–06/15/2026	-	-						(580)	(1.186)	(1.766)			(694)	(1.766)	(2.460)
Promissory Notes (1st issue)	Enerpeixe	170.000	03/04/2020	170.000	04/03/2020–03/29/2021	Working capital	Net debt in relation to EBITDA ratio (i) equal or below 3.5, annually calculated in December.	CDI + 3.00% p.a.	Principal and interest with single installment at the end of contract		6.689		170.000		176.689					-
(-) Transaction cost	Enerpeixe	(1.694)	03/04/2020		04/03/2020–03/29/2021				Principal and interest with single installment at the end of contract				(425)		(425)					-
Cumulative receivable shares (v)	Investco					Redeemable preferred shares A, B and C			Annual dividends and payment of the principal at the end of the concession		3.289	22.801		36.967	63.057	1.187	23.862		34.008	59.057
MFUG - Bill of Exchange	EDP GRID	82.000	20/08/2018	82.000	08/20/2018–08/22/2023	Working capital	Net debt in relation to consolidated EBITDA of EDP - Energias do Brasil is lower than or equal to 3.5X, determined on quarterly basis in March, June, September and December.	CDI + 0.45% p.a.	Six-month principal starting August 2020 and interest (six-month period)	a. Promissory note and b. EDP - Energias do Brasil co-signature	5.437		93.429	46.857	145.723	1.676	2.906	11.714	140.286	156.582
MFUG - Bill of Exchange (*)	EDP Comercialização	150.000	25/07/2019	150.000	07/25/2019–07/22/2021	Implementation of the transmission project for Subsidiary EDP Transmissão Litoral Sul	Net debt in relation to consolidated EBITDA of EDP - Energias do Brasil is lower than or equal to 3.5X, determined on quarterly basis in March, June, September and December.	CDI + 0.44% p.a. up to 07/21/2020 and CDI + 1.89% p.a. up to 07/22/2021	Principal and interest with single installment at the end of contract	a. Promissory note and b. EDP - Energias do Brasil co-signature	2.545		150.000		152.545	3.823		150.000		153.823
Banco Citibank - Bank Credit Bill	EDP Transmissão MA I	70.000	17/12/2018	66.794	12/17/2018–06/08/2020	Bridge Loan		CDI + 1.0% p.a. up to 12/11/2019 CDI + 0.65% p.a. as of 12/12/2019	Principal in single installment at the end and interest in monthly installments	Surety of EDP Energias do Brasil					-	1.749		68.252		70.001
Banco do Nordeste do Brasil	EDP Transmissão MA I	252.056	05/06/2020	177.481	06/05/2020–07/15/2043	Implementation of the transmission line and substation project of lot 07 of auction 05/2016-ANEEL		IPCA + 2.2809% p.a IPCA + 2.7877% p.a.	Monthly principal and interest after February 2023	Bank guarantee		5.699		177.481	183.180					-
(-) Transaction cost	EDP Transmissão MA I	(500)	05/06/2020											(480)	(480)					-
Banco do Nordeste do Brasil	EDP Transmissão MA I	124.521	28/12/2018	122.843	12/28/2018–01/15/2039	Implementation of the transmission line and substation project of lot 11 of auction 05/2016-ANEEL		IPCA + 2.5707% p.a.	Monthly principal as of February/2022 and quarterly interest during the grace period and monthly as from February/2022	a. Assignment of rights and contracts; b. Bank guarantees; c. Lien on shares; d. Lien of Company's Machinery and Equipment; e. Blocked deposits:	3.064			122.843	125.907	130			21.634	21.764
(-) Transaction cost	EDP Transmissão MA I		28/12/2018											(483)	(483)				(535)	(535)
Banco Citibank - Bank Credit Bill	EDP Transmissão MA I	70.000	17/12/2018	66.300	12/17/2018–06/08/2020	Bridge Loan		CDI + 1.0% p.a. up to 12/11/2019 CDI + 0.65% p.a. as of 12/12/2019	Principal in single installment at the end and interest in monthly installments	Surety of EDP Energias do Brasil					-	2.431		67.858		70.289
MFUG - Bill of Exchange	EDP Transmissão SP-MG	100.000	08/06/2020	100.000	06/08/2020–06/08/2021	Implementation of the transmission line and substation project of lot 18 of auction 05/2016-ANEEL	Net debt in relation to consolidated EBITDA of EDP - Energias do Brasil is lower than or equal to 3.5X, determined on quarterly basis in March, June, September and December.	CDI + 1.85% p.a.	Principal and interest with single installment at the end of contract	Corporate guarantee of EDP Energias do Brasil.	2.205		100.000		102.205					-
Total domestic currency											68.906	48.425	1.683.232	1.716.651	3.517.214	45.141	34.539	572.331	1.625.106	2.277.117

											Consolidated									
											12/31/2020					12/31/2019				
											Charges		Principal			Charges		Principal		
Institution	**Company**	**Contracted amount**	**Contracting date**	**Amount released**	**Agreement term**	**Purpose**	**Covenants**	**Debt cost**	**Payment method**	**Guarantees**	**Current**	**Non-current**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Current**	**Non-current**	**Total**
Foreign currency																				
4131 Scotiabank - SWAP	EDP Transmissão SP-MG	USD 59,093	23/12/2020	USD 59,093	12/23/2020–12/10/2021	Implementation of the transmission line and substation project of lot 18 of auction 05/2016-ANEEL	Net debt in relation to consolidated EBITDA of EDP - Energias do Brasil is lower than or equal to 3.5X, determined on quarterly basis in March, June, September and December.	USD + 0.95% p.a.	Principal and interest with single installment at the end of contract	Corporate guarantee of EDP Energias do Brasil.	142		305.962		306.104					-
Total foreign currency											142	-	305.962	-	306.104	-	-	-	-	-
Derivatives																				
Scotiabank	EDP Transmissão SP-MG	USD 59,093	23/12/2020		12/23/2020–12/10/2021	Hedge against Banco Scotiabank financing		FX swap + 0.95% p.a. for CDI + 0.45% p.a.	In a single installment at the end of contract.		74		(4.701)		(4.627)					-
Total derivatives											74	-	(4.701)	-	(4.627)	-	-	-	-	-
Grand total											69.122	48.425	1.984.493	1.716.651	3.818.691	45.141	34.539	572.331	1.625.106	2.277.117

(*) According to Amendment 1 of the Credit Agreement with MUFG, the following was decided: (i) the extension of maturity to 7/22/2021; and (ii) change in remuneratory interest for CDI + 1.89% p.a. as from July 22, 2020.

(i) Adjusted EBITDA means "income before financial expenses, taxes, depreciation and amortization adjusted with assets and liabilities of the Account for Compensation of Variation of Values of Parcel "A" Items (CVA), over contracting and neutrality of sectorial charges".

(ii) Adjusted EBITDA means "income before financial expenses, taxes, depreciation and amortization adjusted with assets and liabilities of the Account for Compensation of Variation of Values of Parcel "A" Items (CVA), over contracting and neutrality of sectorial charges" and with non-operating captions that impact the cash.

(iii) It will be equivalent to result from straight-line interpolation of internal return rates seen in secondary market of National Treasury Bills B Series (NTN-B), applicable to the medium term for amortization of each installment of Sub-credits B and D.

(iv) Subcredits A, C, and F bear interest and monthly amortizations, and subcredits B and D bear interest and annual amortizations.

(v) Refer to Redeemable preferred shares of "A", "B", and "C" shares, issued by the indirect subsidiary Investco in the original amount of R$157,335, where, according to the article eight of by-laws, such shareholders are entitled to the right of receiving a cumulative fixed annual dividend of 3% on their respective interest in capital. In addition, according to Article 9 of Investco bylaws, redeemable preferred shares of "A" and "C" classes will be entitled to equalization upon distribution of dividends in case dividends are paid to other classes of shares higher than unit value of fixed annual dividends. Balance on December 31, 2020 of R$ 98,591 (R$ 92,320 as of December 31, 2019) contemplates the original amount and interest up to 2033 (end of concession), both of them discounted at present value at the rate of 8.70% p.a., which is equivalent to average funding cost of Investco on the date shares are evaluated. Due to its characteristics, these shares were classified as debt financial instruments as they meet the definition of financial liabilities, since Investco does not have the right to avoid the remittance of cash or other financial asset to another entity, as determined in item 19 of CPC 39.

Loans and financing are stated at incurred net transaction costs and are subsequently measured at amortized cost under the effective interest rate or fair value method.

Loans in foreign currency, together with swap/hedge contracts are recognized at fair value through profit or loss and mark to market realization.

The total amount related to the guarantees of loans, financing and debt charges mentioned above is R$ 1,762,321 as of December 31, 2020 (R$ 2,843,187 as of December 31, 2019), and R$ 2,114,023 as of December 31, 2020 (R$ 3,028,718 as of December 31, 2019) in the Consolidated.

26.2 Changes in loans and financing

	Parent Company			
	Net value as of December 31, 2019	Inflows	Interest accrued	Net value as of December 31, 2020
Non-current				
Principal	-	100.000		100.000
Interest	-		934	934
	-	100.000	934	100.934

	Consolidated											
Current	Net value as of December 31, 2019	Inflows	Payments	Interest accrued	Interest paid in	Transfers	Adjustment to present value	Mark-to-Market	Amortization of transaction cost	Inflation adjustment and exchange-rate change	Reclassification	Net value as of December 31, 2020
Principal	573.787	1.390.000	(332.076)	(171)	48.636	298.898		(930)		14.353	718	1.993.215
Interest	45.859		(94.766)	164.190	(48.636)	5.261				(2.142)	(718)	69.048
Transaction cost	(2.174)	(8.233)				(2.548)			8.934			(4.021)
Swap	-			74				2.191		(6.892)		(4.627)
	617.472	1.381.767	(426.842)	164.093	-	301.611	-	1.261	8.934	5.319	-	2.053.615
Non-current												
Principal	1.630.712	379.003				(299.449)	2.959			8.783		1.722.008
Interest	34.539			16.641		(4.710)	1.955					48.425
Transaction cost	(5.606)	(2.299)				2.548						(5.357)
	1.659.645	376.704	-	16.641	-	(301.611)	4.914	-	-	8.783	-	1.765.076

26.3 Maturity of installments

	Consolidated			
Maturity	National	Foreign	Derivatives	Total
Current				
2021	1.752.138	306.104	(4.627)	2.053.615
	1.752.138	306.104	(4.627)	2.053.615
Non-current				
2022	631.362			631.362
2023	269.670			269.670
2024	325.902			325.902
2025	167.819			167.819
2026–2030	137.785			137.785
2031–2035	135.369			135.369
2036–2040	77.608			77.608
>2041	19.561			19.561
	1.765.076	-	-	1.765.076
Total	3.517.214	306.104	(4.627)	3.818.691

27 Post-employment benefits

The Company and certain subsidiaries maintains retirement and pension supplementation plans to employees and former employees and other post-employment benefits, such as medical care, life insurance, Retirement Incentive Aid and other benefits to retirees.

Pursuant to CVM Resolution 695/12, post employment benefit liabilities should be accounted for based on standards contained in CPC 33 (R1). To comply with this requirement, the Company and its subsidiaries EDP São Paulo, EDP Espírito Santo, Energest and Investco contracted independent actuaries to conduct an actuarial appraisal of these benefits using the Projected Unit Credit Method and the last was on December 31, 2020.

The Company and its subsidiaries recognized the defined benefit plan liabilities are recognized if the present value in the financial statement date is higher than the fair value of plan assets. Actuarial gains and losses generated by adjustments and changes to actuarial assumptions of defined benefit plans are directly recognized in Shareholders' equity under Other comprehensive income in the year. Past service costs are fully recognized in the year they occur in income (loss) in the Personnel account and financial result of the benefit is calculated based on the actuarial deficit/surplus based on the current discount rate.

For cases where the plan becomes a surplus and there is a need for recognition of an asset, such recognition is limited to the present value of economic benefits available in the form of future refunds or reductions in the contributions to the plan, pursuant to law and regulation of the plan.

The liabilities of the defined contribution plans are recognized as personnel expenses in the statement of income for the year in which the services are rendered.

	Parent Company		Consolidated			
	Current		Current		Non-current	
	12/31/2020	31/12/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
PSAP Bandeirante			7.660	8.511	226.346	150.978
Retirement Incentive Aid - AIA			492	534		43
Medical care and Life Insurance			37.067	37.384	624.585	717.631
Defined contribution	47	26	319	202		
	47	26	45.538	46.631	850.931	868.652

27.1 Retirement plans

They are administered by EnerPrev, private pension entity sponsored by companies of Grupo EDP - Energias do Brasil and recorded in the National Register of Benefit Plans (Cadastro Nacional dos Planos de Benefícios - CNPB) in the National Superintendency of Private Pension Plans (Superintendência Nacional de Previdência Complementar - PREVIC). It has purpose of managing a set of pension plans in favor of the employees and former employees of the Company and its subsidiaries, and the rights and duties of participants, as provided for in regulation.

27.1.1 Defined benefit plans and variable contribution plans

EDP São Paulo

The plans are structured in the form "Settled, Defined Benefit and Variable Contribution", are not available for new adhesions and have the following characteristics:

(i) PSAP Bandeirante Plan – BSPS Cost Group: This corresponds to the employees' proportional benefits calculated on the basis of time of service up to March 1998, when was in force. Is a defined benefit type which grants Paid-In Benefit, in the form of lifetime income convertible into a pension for plan members registered as at March 31, 1998 in a defined amount proportional to the accumulated years of service up to the said date conditional upon compliance with the regulations. EDP São Paulo bears total responsibility for covering any actuarial shortfalls determined by actuarial of EnerPrev; and

(ii) PSAP Bandeirante Plan – BD and CV Cost Groups:

• BD Cost Group – in force after March 31, 1998: Defined Benefit Plan that grants a lifetime income convertible into a pension proportional to time of service accumulated to March 31, 1998 based on 70% of the monthly average wage over the past 36 months in active employment. In the event of death while the employee is in active service, or disability, the benefits include all of the years of past service (including the accumulated period up to March 31, 1998) and therefore do not include the accumulated period of service after March 31, 1998 alone. The Company and the plan members bear equal responsibility for covering any actuarial shortfalls determined by the actuary of EnerPrev.

• CV Cost Group: Implemented in conjunction with the DB Plan, effective after March 31, 1998, until the time of granting the lifetime income, convertible (or not) into a pension, is a variable contribution plan, not generating any actuarial responsibility on the part of the Company. Only after the act of granting the lifetime income, convertible (or not) into a pension, does the pension plan become a defined benefit one, subjecting the Company to actuarial responsibilities. A member may also choose the financial income option, not generating actuarial responsibility for EDP São Paulo.

EDP São Paulo contributed to the cost groups with the amount of R$ 1,946 (R$ 2,255 in 2019) in the year.

EDP Espírito Santo

• Escelsos I Plan structured as a defined benefit (in force for adhesions up to May 31, 1998): Cost plan is supported by contributions from the sponsor, which correspond to double of members' contributions and limited to 7% of payroll. Grants lifelong income reversible into pension, of up to 100% of actual monthly average salary referring to the last 36 months of activity.

EDP Espírito Santo and Energest

• Escelsos II Plan structured as variable contribution (in force for adhesions up to November 1, 2006): The Funding Plan is sustained paritarially by contributions of the sponsor and of the participant, pursuant to the plan regulation. It is a pension plan that until the time of granting the lifetime income, convertible (or not) into a pension, is a variable contribution plan, not generating any actuarial responsibility on the part of the subsidiaries. Only after the act of granting the lifetime income, convertible (or not) into a pension, if that is the participant's choice, the pension plan may become a Defined Benefit one, subjecting subsidiaries to actuarial responsibilities. A member may also choose financial income option, not generating actuarial responsibility to the subsidiaries.

27.1.1.1 Actuarial evaluation

A series of assumptions may be realized differently from as calculated in actuarial valuation due to factors such as changes in economic or demographic assumptions and changes in the provisions of the plan or in the legislation applicable to pension plans.

The plan liabilities are calculated using a discount rate that is established with a basis on the yield of NTN-B government bonds. Accordingly, if the yield of the plan assets is different from the yield of IPCA - Consumer Price-Index Note (former NTN-B) with a duration similar to benefit's duration, there will be an actuarial gain or loss, increasing or decreasing the actuarial deficit/surplus of these benefits.

The investment practices of the plans are governed by the search for and maintenance of net assets with the necessary yields to honor these liabilities in the short, medium and long term, maintaining a balance between the assets and the commitments of liabilities so as to generate liquidity compatible with the growth and the protection of capital, aiming to ensure the long-term balance between the assets and the needs dictated by future actuarial flows.

PREVIC Resolution 24, which provides on recognition of sub-bases in benefit plans, was published on February 21, 2017. According to said resolution, a sub-base is characterized as a group of participants or assisted people linked to a benefit plan whose rights and obligations are homogeneous with each other but heterogeneous in relation to other participants and assisted people of the same plan.

On September 25, 2018, Enerprev initiated a process with the competent bodies authorities to allow migration option that provides for the possibility given to each Participant and Assisted entity of referred Plan to transact their rights and obligations inherent to it by the rights and obligations of Plan Energias do Brasil and/or Plan Saldado PSAP. Possibility of migration to both Plans results from the fact that the PSAP/Bandeirante Plan has three submasses, as follows: BD, CV and BSPS.

Based on this concept, in relation to EDP São Paulo, the actuarial valuation carried out on December 31, 2020 identified that each costing group of the PSAP Bandeirante plan (BSPS, BD and CV) would represent a submass in the plan, and should in turn be controlled separately, resulting in a surplus position to BD cost sub-base in the amount of R$ 1,089, and a restated deficit position for VC and BSPS cost sub-base in the amounts of R$ 12,016 and R$ 223,083, respectively, resulting in a restated net deficit of R$ 234,006 (Note 28.1.1.9).

Considering above proposal, PSAP results reflect migration of its plans (BSPS, BD and CV) to Benefit Plan of Energias do Brasil approved by Previc Ordinance 118 of February 13, 2020 published in the Federal Official Gazette (DOU) of February 19, 2020. Migration of these plans ended on October 30, 2020 and effective migration of funds occurred in early December 2020, having generated for EDP São Paulo a positive early settlement result of R$ 5,288 (Note 28.1.1.4)

For EDP Espírito Santo and Energest, the actuarial appraisal shows, as at December 31, 2020 that in the case of the defined benefits plans, the present value of the actuarial liabilities net of the fair value of the assets and of unrecognized actuarial losses, showed a surplus. However, this surplus has a restriction on its recognition due to actuarial assumptions established in CPC (Brazilian Accounting Pronouncements Committee) 33 (R1).

27.1.1.2 Reconciliation of actuarial assets and liabilities

EDP São Paulo

	Present value of the plan liabilities	Fair value of the plan assets	Asset recognition restrictions	Liabilities
Balances at December 31, 2019	(1.182.446)	1.098.512	(75.555)	(159.489)
Current service cost	1.363			1.363
Gain from early settlement	5.288			5.288
Interest cost	(87.829)	81.939	(5.735)	(11.625)
Actuarial gains/(losses) recognized in shareholders' equity	(67.050)	(40.583)	30.428	(77.205)
Contributions paid by the Company		7.662		7.662
Contributions paid by the employees	(2.967)	2.967		-
Benefits paid by the plan	58.344	(58.344)		-
Balances at December 31, 2020	(1.275.297)	1.092.153	(50.862)	(234.006)

Obligations' present value actuarial loss, in the amount of R$ 77,205, and verified in actuarial valuation carried out on December 31, 2020, was mainly due to discount rate increase and to the fact that return on plan assets has been significantly lower than actuarial goal, considering inflation effects in the year.

The contributions expected to be paid by EDP São Paulo into this plan in 2021 amount to R$ 6,052.

The balance as at December 31, 2020, net of income tax and social contribution is R$ 215,991 (actuarial loss of R$ 165,036 as at December 31, 2019).

EDP Espírito Santo

	Present value of the plan liabilities	Fair value of the plan assets	Asset recognition restrictions	Recognized assets
Balances at December 31, 2019	(190.673)	340.714	(151.442)	258
Current service cost	(156)			(156)
Interest cost	(16.874)	28.438	(11.636)	(72)
Actuarial gains/(losses)	3.978	(39.742)	37.595	1.831
Contributions paid by the Company		(1.861)		(1.861)
Benefits paid by the plan	19.358	(19.358)		-
Balances at December 31, 2020	(184.367)	308.191	(125.483)	-

Because of the surplus of these plans, the contributions by EDP Espírito Santo are not expected to be offset in 2021.

Regarding such plans, the balance on December 31, 2020, of actuarial loss, net of income tax and social contribution is R$ 1,208 (actuarial loss of R$ 1,069 on December 31, 2019).

Energest

	Present value of the plan liabilities	Fair value of the plan assets	Asset recognition restrictions	Recognized assets
Balances at December 31, 2019	(51)	113	(59)	3
Current service cost	(2)			(2)
Interest cost	(4)	7	(4)	(1)
Actuarial gains/(losses)	(79)	508	(419)	10
Contributions paid by the Company		(10)		(10)
Benefits paid by the plan	88	(88)		-
Balances at December 31, 2020	(48)	530	(482)	-

The contributions expected to be paid by Energest in 2021 amount to R$ 10.

27.1.1.3 Maturity of benefit plans

The maturities of benefit plans, calculated on the actuarial valuations, estimate the following future flow of benefit payments for the next 10 years:

	EDP São Paulo	EDP Espírito Santo		Energest
Maturity	**PSAP**	**Plan I**	**Plan II**	**Escelsos II**
Current				
2021	66.379	13.041	5.169	
	66.379	13.041	5.169	-
Non-current				
2022	68.663	12.487	5.289	
2023	71.056	12.509	5.401	
2024	73.422	12.496	5.507	
2025	76.073	12.446	5.603	
2026–2030	418.296	60.040	29.087	4
	707.510	109.978	50.887	4
Total	773.889	123.019	56.056	4

27.1.1.4 Net expenses

Effects of review of actuarial appraisals recognized in income and other comprehensive income, both as counterparty to caption Post-employment benefits are as follows:

		EDP São Paulo		EDP Espírito Santo		Energest	
	Note	01/01/2020–12/31/2020	01/01/2019–12/31/2019	01/01/2020–12/31/2020	01/01/2019–12/31/2019	01/01/2020–12/31/2020	01/01/2019–12/31/2019
Service cost							
Current service cost		(1.363)	1.233	156	94	2	4
Gain from early settlement	27.1.1.1	(5.288)					
Interest cost	35	11.625	5.610	72	105	1	2
Benefits / contribution paid by the Company		(7.662)	(2.984)				
Components of defined benefit costs recognized in net income/loss		(2.688)	3.859	228	199	3	6
Remuneration of net value of past defined benefit:							
Return on plan assets (excluding amounts included in net financial expenses)		40.583	(115.041)	39.742	(43.616)	(508)	82
Actuarial (gains) losses arising from experience adjustments		203.228	20.364	(2.313)	1.677	80	(81)
Actuarial (gains) losses arising from changes in financial assumptions		(136.178)	228.207	(1.665)	29.465	(1)	27
Adjustments to restrictions on the defined benefit assets		(30.428)	(32.154)	(35.734)	12.351	429	(15)
Components of defined benefit costs recognized in other comprehensive income		77.205	101.376	30	(123)	-	13
Total		74.517	105.235	258	76	3	19

27.1.1.5 Asset class

The main classes of plan assets are divided as follows:

		EDP São Paulo		EDP Espírito Santo		Energest	
	Active Market	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Class of assets		Allocation %		Allocation %		Allocation %	
Debt securities	Quoted	96,25%	95,97%	93,27%	93,69%	84,26%	85,58%
Shares	Quoted	2,97%	3,32%	4,38%	5,51%	10,62%	13,41%
Properties	Quoted	0,28%	0,71%	0,32%	0,80%	0,41%	1,01%
Other	Unquoted	0,50%		2,03%		4,71%	
Total		100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Investments made in lawsuits include lawsuits involving the Company in the following amounts:

	12/31/2020				12/31/2019			
	PSAP	Plan II			PSAP	Plan II		
	EDP São Paulo	EDP Espírito Santo	Energest	Total	EDP São Paulo	EDP Espírito Santo	Energest	Total
Shares - EDP - Energias do Brasil	174	120	4	298	388	283	10	681
Total	174	120	4	298	388	283	10	681

27.1.1.6 Participants

These plans have the following composition of participants:

	EDP São Paulo		EDP Espírito Santo				Energest	
	12/31/2020	12/31/2019	12/31/2020		12/31/2019		12/31/2020	12/31/2019
	PSAP		Plan I	Plan II	Plan I	Plan II	Escelsos II	Escelsos II
Active participants	256	384		256		326	1	8
Assisted participants								
With deferred benefits	89	90		15		11	3	
Retirees and pensioners	828	887	645	160	655	157		
	917	977	645	175	655	168	3	-
Total	1.173	1.361	645	431	655	494	4	8

27.1.1.7 Sensitivity analysis

The sensitivity analysis resulting from risk of change in the discount rate and in the mortality table is expressed below, considering only the change in the hypotheses mentioned on each line:

	EDP São Paulo	EDP Espírito Santo		Energest
Sensitivity analysis	PSAP	Plan I	Plan II	Escelsos II
Core premises	1.125.403	146.057	80.690	47
Discount rate				
0.5% increase;	1.056.234	138.949	77.931	46
05% decrease	1.183.936	150.189	81.408	48
Mortality				
If the plan members were a year younger than their real age	1.136.039	149.034	82.732	48

27.1.1.8 Assumptions

Main assumptions used in actuarial evaluations were as follows:

	EDP São Paulo		EDP Espírito Santo				Energest	
	PSAP		Plan I		Plan II		Escelsos II	
Economic	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate - nominal	7.67% p.a.	7.56% p.a.	6.78% p.a.	7.56% p.a.	7.19% p.a.	7.56% p.a.	7.19% p.a.	7.56% p.a.
Future salary growth	4.18% p.a.	4.90% p.a.	n/a	4.90% p.a.	4.18% p.a.	4.90% p.a.	4.18% p.a.	4.90% p.a.
Growth in benefit plans	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.
Long-term medical inflation								
Inflation	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.	3.31% p.a.	4.03% p.a.
Demographic								
Mortality table	AT-2000	AT-2000	AT-2000	AT-2000	AT-2000	AT-2000	AT-2000	AT-2000
Disability mortality table	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled
Disability table	Muller	Muller	n/a	n/a	TASA 1927	TASA 1927	TASA 1927	TASA 1927

27.1.1.9 Debt confession - EnerPrev and EDP São Paulo

EDP São Paulo has the aim of resolving the actuarial deficit of its BSPS sub-base and reducing the risk of future deficits, has formalized the legal instrument with EnerPrev, from the actuarial deficit calculated according to guidelines of Resolution CGPC 26/2008 and its amendments. The original contract was being settled over 240 months based on a percentage of the payroll, counted from September 1997. On August 22, 2016, EDP São Paulo and EnerPrev signed the second addendum to the instrument of commitment between the companies, highlighting the change in the settlement period (which was expected to end in September 2017) to 143 installments, the first one in September 2016. From December 2016, the debt balance and the monthly installment amount will be determined once a year at the time of Enerprev actuarial evaluation, positioned in December, considering the debt amount and remaining period. The actuarial assumptions used by EDP São Paulo meet the provisions of CPC 33 (R1) while the actuarial assumptions used by EnerPrev meet CGPC Resolution 18/2006 and Previc Instruction 7/2013.

The reconciliation between two actuarial valuation methods is shown below:

	12/31/2020	12/31/2019
Present value of the plan liabilities	(1.116.976)	(1.190.973)
Fair value of the plan assets	934.128	1.107.339
Surplus	(182.848)	(83.634)
Unrecoverable surplus	(51.158)	(75.855)
Total recorded - BSPS sub-base - CPC 33 (Note 27.1.1.1)	(234.006)	(159.489)
Contract for Debt confession and Mathematical reserve Adjustment - CGPC Resolution 26/2008	(61.469)	(53.984)
Difference between assumptions (*)	172.537	105.505

(*) The amount of R$ 172,537 (R$ 105,505 as of December 31, 2019) is due to the difference in assumptions and methodologies used by EDP São Paulo for purposes of compliance with CVM Resolution 695/12 and those used by EnerPrev (benefit plan administrator) for the purpose of compliance with Resolution 26/08 and its amendments of the National Council of Private Pension and tends to be adjusted over time to plan development.

27.1.2 Defined contribution plans

The Company and other companies of Grupo EDP - Energias do Brasil are sponsors of the Plan Energias do Brasil, administered by EnerPrev, which is available for the adhesion of new participants. In this plan, the participant may contribute the fixed percentage from 1% to 7% of the contribution salary, in which the percentage of the contribution of the sponsors in their favor in the plan will also occur at the same rate, not generating any actuarial liability for the sponsors. Members may also take part with voluntary monthly contributions that are equivalent to a percentage that he/she may freely choose applied to their contribution salaries, or annual contributions in a single value to be chosen by the participant. This type of contribution is made in addition to basic contribution, with no proportional contribution by sponsors.

In the capacity of sponsors of this plan, the Company contributed R$ 1,255 in the year (R$ 1,115 in 2019) while the subsidiaries contributed in the year with the amount of R$ 5,888 (R$ 5,371 in 2019).

On December 31, 2020, this plan receives adhesion from 133(*) employees, (132(*) as of December 31, 2019) of the Company and 1,763 (*) (1,709(*) as of December 31, 2019) from employees of its subsidiaries.

(*) Not audited by independent auditors.

27.2 Retirement incentive aid (AIA), medical care, life insurance and other benefits to retirees: Defined benefit

• Retirement Incentive Aid - AIA (EDP Espírito Santo): Benefit to employees hired up to December 31, 1981, payable on termination of the labor contract, irrespective of the reasons for such severance. The AIA guarantees the payment of a benefit, the amount of which was calculated considering, for each employee, the proportion of the period of contribution to the INSS (Brazilian Social Security Service) up to October 31, 1996, the employee's salary and the INSS benefit as at October 31, 1996;

• Medical care, life insurance and other benefits to retirees (EDP Espírito Santo and Energest - in force to employees hired up to December 31, 1990 and retired in the subsidiaries): Lifetime coverage for medical and dental care, medications, life insurance, and in proven cases, existence of dependents with special needs, corresponding to 50% of the minimum salary of the subsidiaries; and

• Medical care (Investco): Pursuant to Law 9656/98, employees who pay a pre-determined monthly contribution for the medical care plan are entitled to continue as part of a similar plan, in the event of dismissal or retirement, for a determined period of time, in accordance with legislation relating to Medical care plans. Investco's medical care model from April 2005 until December 2011 met this condition.

27.2.1 Actuarial evaluation

A series of assumptions may have their realization different from that calculated in the actuarial valuation due to factors such as changes in the economic or demographic assumptions and changes in the provisions of the plan or of the legislation applicable to these.

Most of the liabilities of the benefits consist of the concession of lifetime benefits to the participants. For this reason, increases in the life expectancy will result in an increase in the plan liabilities. These benefits are sensitive to inflation, and inflation that is higher than foreseen in this valuation will lead to a higher level of liabilities.

On March 1, 2019, the subsidiaries EDP Espírito Santo and Energest started the process of modification of the Defined Benefit Plan, as a result of the change in the operator of the Health Care plan, which uses the operating modality (cataloged by ANS – National Health Agency) of a medical cooperative, instead of the modality of specialized health insurers used by the former operator. The cooperative model has its own network of physicians and medical infrastructure, thus impacting the availability of direct medical specialties, hospitals, exams, and access. The migration was completed on May 1, 2019, and recognition of the impacts of the change – which were categorized as past service cost in the amount of R$ 134,376 at the subsidiary EDP Espírito Santo and R$ 2,979 at the subsidiary Energest, were classified in Income (loss) for the current year of 2019.

Such classification and recognition are in accordance with CPC 33 (R1) - Employee Benefits, which requires that upon the occurrence of an event that can be deemed as a reduction, alteration or settlement of the benefit plan, the entity must measure the cost of the past service based on the assessment of the net value of the defined benefit liability, using the fair value of the current actuarial assets and assumptions that reflect the benefits offered in accordance with the plan, and the plan's assets before and after the identification of the events.

In this regard, and in light of the standard, the cost of the past service is the change in the present value of the defined benefit obligation, resulting from the alteration or reduction of the plan (curtailment), and should be recognized in Income in the fiscal year in which it occurs, since they were not admitted or provided for in the previous actuarial assumptions, nor are these services that have already been provided.

27.2.2 Changes in actuarial liabilities

	Present value of the plan liabilities		
	EDP Espírito Santo	Energest	Investco
Balances at December 31, 2019	(754.166)	(14.395)	(1.426)
Current service cost	(3.842)	(125)	(81)
Interest cost	(55.920)	(1.085)	(113)
Actuarial gains/(losses) recognized in shareholders' equity	127.995	2.549	69
Benefits paid by the Company	38.126	270	
Balances at December 31, 2020	(647.807)	(12.786)	(1.551)

Actuarial gains of R$ 127,995 at EDP Espírito Santo, R$ 2,549 at Energest, and R$ 69 at Investco determined in actuarial valuation carried out on December 31, 2020, was mainly due to changes in actuarial assumptions compared to previous year regarding discount rate, medical inflation and projection of medical expenditures.

For these plans, accumulated since the beginning of obligation, the balance on December 31, 2020, of actuarial loss, net of income tax and social contribution in EDP Espírito Santo is R$ 328,690 (R$ 413,286 on December 31, 2019), in Energest is R$ 3,538 (R$ 5,212 on December 31, 2019) and in Investco, R$ 144 (R$ 97 on December 31, 2019).

27.2.3 Maturity of benefit plans

The maturities of benefit plans, calculated on the actuarial valuations, estimate the following future flow of benefit payments for the next 10 years:

	EDP Espírito Santo		Energest	Investco
Maturity	Medical care and Life Insurance	AIA	Medical care and Life Insurance	Medical care
Current				
2021	36.460	570	557	50
	36.460	570	557	50
Non-current				
2022	38.359	87	603	72
2023	40.159		639	97
2024	42.102		686	111
2025	44.272		740	143
2026–2030	250.802		4.491	632
	415.694	87	7.159	1.055
Total	452.154	657	7.716	1.105

27.2.4 Net expenses

Effects of review of actuarial appraisals recognized in income and other comprehensive income, both as counterparty to caption Post-employment benefits are as follows:

		EDP Espírito Santo		Energest		Investco	
	Note	2020	2019	2020	2019	2020	2019
Service cost							
Current service cost		3.842	2.817	125	88	81	54
Interest cost	35	55.920	59.700	1.085	1.209	113	95
Past service cost	34.2		(134.376)		(2.797)		
Benefits / contribution paid by the Company		(38.126)		(270)			
Components of defined benefit costs recognized in net income/loss		21.636	(71.859)	940	(1.500)	194	149
Re-measurement of the net value of the defined benefit liability							
Actuarial (gains) losses arising from experience adjustments		(94.504)	9.620	(1.358)	(1.102)	(30)	39
Actuarial (gains) losses arising from changes in financial assumptions		(33.491)	163.085	(1.191)	3.684	(39)	305
Components of defined benefit costs recognized in other comprehensive income		(127.995)	172.705	(2.549)	2.582	(69)	344
Total		(106.359)	100.846	(1.609)	1.082	125	493

27.2.5 Participants

These plans have the following composition of participants:

	EDP Espírito Santo							
	AIA		Medical care		Life insurance		Other benefits to retirees	
	2020	2019	2020	2019	2020	2019	2020	2019
Active participants	11	13	148	233	142		821	782
Assisted participants								
Retirees and pensioners			2.819	2.709	1.336	1.285	45	48
	-	-	2.819	2.709	1.336	1.285	45	48
Total	11	13	2.967	2.942	1.478	1.285	866	830

	Energest						Investco	
	Medical care		Life insurance		Other benefits to retirees		Medical care	
	2020	2019	2020	2019	2020	2019	2020	2019
Active participants		6	1		23	28	32	35
Assisted participants								
Retirees and pensioners	65	46	23	22				
	65	46	23	22	-	-	-	-
Total	65	52	24	22	23	28	32	35

27.2.6 Sensitivity analysis

The sensitivity analysis resulting from risk of change in the discount rate and in the mortality table is expressed below, considering only the change in the hypotheses mentioned on each line:

	EDP Espírito Santo				Energest			Investco
Sensitivity analysis	**AIA**	**Medical care**	**Other benefits to retirees**	**Life insurance**	**Medical care**	**Other benefits to retirees**	**Life insurance**	**Medical care**
Core premises	652	558.103	10.396	89.907	11.728	177	1.213	1.554
Discount rate								
0.5% increase;	651	518.844	9.185	84.693	10.860	150	1.129	1.467
05% decrease	652	581.099	11.506	94.727	12.307	204	1.316	1.641
Mortality								
If the plan members were a year younger than their real age	652	574.365	10.498	90.302	12.016	178	1.194	1.554

27.2.7 Assumptions

Main assumptions used in actuarial evaluations were as follows:

	EDP Espírito Santo			
	2020			
Economic	**AIA**	**Medical care**	**Life insurance**	**Other benefits to retirees**
Discount rate - nominal	3.49% p.a.	7.45% p.a.	7.45% p.a.	7.69% p.a.
Future salary growth	4.18% p.a.	n/a	n/a	n/a
Growth in benefit plans	3.31% p.a.	n/a	3.31% p.a.	3.31% p.a.
Long-term medical inflation	n/a	Medical costs: 9.51% p.a. in 2021, decreased linearly to 6.11% p.a. up to 2029; Pharmacy and dental costs: 3.5% p.a.	n/a	n/a
Inflation	3.31% p.a.	3.31% p.a.	3.31% p.a.	3.31% p.a.
Aging factor	n/a	Medical costs: 3.5% p.a. Pharmacy and dental costs: n/a.	n/a	n/a
Demographic				
Mortality table	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational
Disability mortality table	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1

	EDP Espírito Santo			
	2019			
Economic	**AIA**	**Medical care**	**Life insurance**	**Other benefits to retirees**
Discount rate - nominal	7.56% p.a.	7.56% p.a.	7.56% p.a.	7.56% p.a.
Future salary growth	4.90% p.a.	n/a	n/a	n/a
Growth in benefit plans	4.03% p.a.	n/a	4.03% p.a.	4.03% p.a.
Long-term medical inflation	n/a	Medical costs: 10.27% p.a. in 2020, decreased linearly to 6.11% p.a. up to 2028; Pharmacy and dental costs:	n/a	n/a
Inflation	4.03% p.a.	4.03% p.a.	4.03% p.a.	4.03% p.a.
Aging factor	n/a	Medical costs: 3.5% p.a. Pharmacy and dental costs: n/a.	n/a	n/a
Demographic				
Mortality table	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational
Disability mortality table	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1

	Energest					
	2020			2019		
Economic	**Medical care**	**Life insurance**	**Other benefits to retirees**	**Medical care**	**Life insurance**	**Other benefits to retirees**
Discount rate - nominal	7.67% p.a.	7.56% p.a.	7.56% p.a.	7.56% p.a.	7.56% p.a.	7.56% p.a.
Future salary growth	n/a	n/a	n/a	n/a	n/a	n/a
Growth in benefit plans	n/a	3.31% p.a.	3.31% p.a.	n/a	4.03% p.a.	4.03% p.a.
Long-term medical inflation	9.51% p.a. in 2021, decreased linearly to 5.38% p.a. up to 2029	n/a	n/a	10.27% p.a. in 2020, decreased linearly to 6.11% p.a. up to 2028	n/a	n/a
Inflation	3.31% p.a.	3.31% p.a.	3.31% p.a.	4.03% p.a.	4.03% p.a.	4.03% p.a.
Aging factor	3.50% p.a.	n/a	n/a	3.50% p.a.	n/a	n/a
Demographic						
Mortality table	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational	RP 2000 Generational
Disability mortality table	RP 2000 Disabled	n/a	RP 2000 Disabled	RP 2000 Disabled	n/a	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1

	Investco	
Economic	**2020**	**2019**
Discount rate - nominal	7.45% p.a.	7.56% p.a.
Long-term medical inflation	9.51% p.a. in 2021, decreased linearly to 5.38% p.a. up to 2029	10.27% p.a. in 2020, decreased linearly to 6.11% p.a. up to 2028
Inflation	3.31% p.a.	4.03% p.a.
Demographic		
Mortality table	RP 2000 Generational	RP 2000 Generational
Disability mortality table	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1

28 Sectorial charges

Obligations payable refer to charges established by the electric sector law, as follows:

		Consolidated						
	Note	**Balance at December 31, 2019**	**Additions**	**Inflation adjustment**	**Payments**	**Transfers**	**Transfer of Assets held for sale (Note 17)**	**Balance at December 31, 2020**
Share of Global Reversion Reserve - RGR		-	4.247		(4.259)		362	350
Energy Development Account (CDE)	28.1 | 33	-	1.247.087		(1.247.087)			-
Financial Compensation for the Use of Water Resources - CFURH	33	3.666	31.834		(29.737)		629	6.392
Tariff charges (ECE/ EAEEE)		31.448	7		(10)			31.445
Research and Development ("R&D") and Energy Efficiency Program ("PEE")	28.2 | 33	70.379	98.399	2.836	(101.430)	2	1.501	71.687
Tariff flags (CCRBT)	8 | 28.3 | 33	-	4.349		(4.349)			-
Other charges		1.465	15.871		(16.010)		51	1.377
Total		106.958	1.401.794	2.836	(1.402.882)	2	2.543	111.251
Current		98.155						111.251
Non-current		8.803						-

28.1 Energy Development Account (Conta de Desenvolvimento Energético - CDE)

Refer to amounts transferred to CDE, consented by ANEEL.

28.2 Research and Development ("R&D") and Energy Efficiency Program ("PEE")

The amounts of the liabilities to be applied in the R&D and EEP programs recorded by the subsidiaries are determined under the terms of the sectorial legislation of electricity concession agreements. The subsidiaries must apply 1% of the net operating income adjusted in accordance with the criteria defined by ANEEL, recording monthly, on an accrual basis, the liability amount. This liability is updated monthly at SELIC rate change for distributors' investment obligations and at IGP-M for amounts allocated to PROCEL up to the month in which expenses are realized and written off as they are realized. The R&D programs are regulated through ANEEL Normative Resolution 316/08, applied until September 2012, amended by Normative Resolution 504/12, and the EEP programs are regulated through Resolutions 300/08, applied until May 2013, amended by Normative Resolution 556/13.

On September 1, 2020, the Provisional Measure 998 was published in the Federal Official Gazette and deals with allocation of funds available for investment in research and development (R&D) and energy efficiency (EE) in the period from September 1, 2020 to December 31, 2025, and to the sectorial fund of the Energy Development Account (CDE). In view of this, through Technical Note 0496/2020-SPE/ANEEL, it was necessary to begin Public Consultation (scheduled to occur in the first half of 2021) to provide transparency and gather subsidies on changes promoted by PM 998.

The net balance on December 31, 2020 in the amount of R$ 71,687 (R$ 70,379 on December 31, 2019), includes the deduction of expenditures incurred with services in progress referring to these programs.

28.3 Tariff flags

Beginning January 1, 2015, by ANEEL Normative Resolution 547 of April 16, 2013, the Tariff Flag System came into effect. That mechanism aims to indicate to consumers the actual electric power generation costs of each month, by using four flags: green, yellow, red stage 1 and red stage 2. Every month, the system's operating conditions are evaluated by the National System Operator (ONS), which establishes the best power generation strategy to meet the demand. Based on that evaluation, a decision is made regarding which thermal plants are required to operate.

The green flag indicates that the power generation cost is presently cost is at a regular level, and no increase in power tariff value is necessary. However, the yellow and red flags, level 1 and 2, indicate that the cost of energy generation has increased, and an increase in the energy tariff is applied.

On April 24, 2018, ANEEL, through Confirmatory Resolution no. 2392, established the new criteria for activating tariff flags. The definition of the activation brackets will observe hydrologic risk thresholds defined according to the operational record of the National Interconnected System (SIN). The activation metric henceforth takes into account the definition of cost of hydrologic risk, where there is an indirect relationship between the depth of the generation scaling factor (GSF) and the electricity spot price (PLD, or different settlement price). The composition of these two variables, in trigger systematics, means the anticipated collection of income with the tariff flags is closer to the costs incurred.

The composition of these two variables, in trigger systematics, means the anticipated collection of income with the tariff flags is closer to the costs incurred.

On May 21, 2019, ANEEL, through ANEEL Ratifying Resolution 2551, published the new criteria for activating tariff flags, effective as if June 1, 2019. In October of the same year, Homologatory Resolution improved additional flag values, eliminating amount rounding applied until then, changing from R$ 1.50 to R$ 1.343 the additional value of yellow tariff flag validity for every 100-kWh consumed, from R$ 4.00 to R$ 4.169 additional value for red flag level 1 for every 100-kWh consumed, and from R$ 6.00 to R$ 6.243 additional value for red tariff flag level 2 for every 100 kWh consumed.

So, the balance related to the Tariff flags refers to the amounts to be transferred to the Centralizing Account for the Resources from Tariff Flags - CCRBT, managed by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE), arising from the difference between the billed amounts net of ICMS and the estimated amounts not billed, for Tariff flags purposes, deducted of a portion of the

Those funds are allocated to the coverage of costs not foreseen in the tariffs of several distributors in Brazil. Value monthly approved by ANEEL to be transferred or refunded is the difference between amount charged from customers and excess costs referring to: (i) Power Security of System Service Charge (Encargo de Serviço do Sistema – ESS); (ii) thermal dispatch; (iii) hydrologic risk; (iv) Itaipu quotas; (v) exposure to the short-term market; and (vi) excess Energy Reserve Account - CONER. The costs that are not covered by the income are considered in the next tariff process.

With additional amounts' annual adjustment, ANEEL Order 1551 determined, on May 26, 2020, maintenance of current values in force due to declaration of state of public calamity due to COVID-19 pandemic, with green flag activated until December 31, 2020 (Note 4.8.1.8). On November 30, 2020, this Order was revoked by Order 3363, which applied red flag level 2 for December 2020. The Tariff flags applied in 2020 were the following:

Brands	Months
Green	February to September
Yellow	January
Red Level 2	December

Public Consultation 11/2020, opened for the purpose of obtaining subsidies for the proposal of adjusting activation bands and additional values of Tariff Flags for the 2020/2021 Cycle, was closed due to decision that led to publication of Order 1551/20, with an indication by ANEEL that it shall be resumed in 2021 for discussion of the 2021/2022 Cycle.

29 Use of Public Property - UBP

The Use of Public Property (UBP) corresponds to the amounts established in the concession agreements as consideration for the right to operate the hydroelectric power plants and associated transmission systems of the subsidiaries Enerpeixe and Investco calculated through the expiry of the concession agreements or other pre-established period and recognized at present value.

The UBP will be paid throughout the concession period as from the start of commercial operations or delivery of the energy provided for in the Electricity Sale Contract in the Regulated Environment (CCEAR), whichever occurs first, as established in the Concession Agreements or, other term as indicated in the concession agreement for projects in operation that had their mode changed to onerous concession.

	Consolidated						
Subsidiaries	December 31, 2020	December 31, 2019	Power Plant	Annual value of the parcel	Interest rate	Discount rate	Amortization period
Investco	58.771	50.189	UHE Luiz Eduardo Magalhães	1.045	IGP-M	6,00%	2032
Enerpeixe	384.064	273.902	UHE Peixe Angical	6.800	IGP-M	6,00%	2036
	442.835	324.091					
Current	35.609	29.326					
Non-current	407.226	294.765					

The total fair value of UBP-related obligations related was recorded against Intangible assets (Note 23.1.2) on initial recognition. The provision of UBP payment was recognized in accordance with CPC 25 and is adjusted at present value.

Changes in the year are as follow:

	Consolidated						
	Balance at December 31, 2019	Acquisitions Note 23.1.2.1	Adjustment to present value	Charges and inflation adjustments	Payments	Transfer	Balance at December 31, 2020
Current							
Use of public property	29.326		(197)	3.256	(30.274)	33.498	35.609
	29.326	-	(197)	3.256	(30.274)	33.498	35.609
Non-current							
Use of public property	294.765	58.238	(17.829)	105.550		(33.498)	407.226
	294.765	58.238	(17.829)	105.550	-	(33.498)	407.226

30 Refund for unavailability

The balance is related to provision of the subsidiary Porto do Pecém for reimbursement of periods in which the plant was unavailable while forwarded by ONS. Provision is recognized at the amount of expected future reimbursement to the system based on mobile average of plant in unavailable of the last 60 months. The reversal of the provision in the year arises from the increase in the operational availability of the power plant.

Due to the fact that it is a sum of future outflow of funds caused by the plant for its lower availability of reference of the auction, whose values are priced via difference between Difference Settlement Price - PLD and Variable Cost per Unit (CVU), the provision may vary positively or negatively depending on the changes in predicting FID - Unavailability Factor, which represents the ratio between the average of the last 60 months of plant outages for its availability of defined reference, PLD and CVU 60 months ahead of directly proportional manner.

The reversal refers to the provision in the Collection Prescription of Contractual Net Amounts that prescribes in five years regarding the possibility of recovering the financial amounts retained from the reimbursements. Therefore, Porto do Pecém reversed the amounts related to the aforementioned period.

The movement in the heading for the year is as follows:

	December 31, 2019	Reversal	Payments	December 31, 2020
Reimbursement	62.622	(34.338)	(26.054)	2.230
Total current	62.622	(34.338)	(26.054)	2.230

31 Provisions

		Parent Company		Consolidated			
		Non-current		Current		Non-current	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Civil, tax, labor and regulatory provisions	31.1	8.186	11.611	13.545	8.999	510.365	434.245
Environmental permits	31.2			89.370	72.471	31.922	38.891
Dismantling	31.3					9.925	9.241
Total		8.186	11.611	102.915	81.470	552.212	482.377

Provisions are recognized in the balance sheets date as a result of a past event, and it is probable that an economic resource will be required to settle the obligation and that can be reliably estimated. Provisions are recorded based on the best estimates of the risks specific to the liability.

31.1 Civil, tax and labor, regulatory provisions and restricted deposits

The Company and its subsidiaries are parties to lawsuits and administrative proceedings in several courts and with government bodies arising from the normal course of its operations, involving tax, labor, civil and other issues.

The liabilities are measured at management's best estimate for the disbursement that would be required to settle them on the date of the financial statements. They are monetarily restated monthly, using various indices according to the nature of the provision, and are periodically reviewed with the assistance of legal advisors.

31.1.1 Risk of probable loss

The Company's Management, based on information from its legal advisors and the analysis of pending lawsuits, the Administration of the Company and its subsidiaries have constituted provisions considered sufficient to cover losses estimated as probable for ongoing lawsuits, as follows:

	Parent Company							
	Liabilities						Assets	
			Decreases				Judicial deposit	
	Balance at December 31, 2019	Formation	Payments	Reversals	Inflation adjustment	Balance at December 31, 2020	12/31/2020	12/31/2019
Labor	1.469	186	(108)	(267)	11	1.291	79	1.093
Civil	9.902	972	(1.916)	(4.438)	2.034	6.554	2.206	1.354
Other	240	412	(140)	(159)	(12)	341		
Total non-current	11.611	1.570	(2.164)	(4.864)	2.033	8.186	2.285	2.447

	Consolidated								
	Liabilities							Assets	
			Decreases					Judicial deposit	
	Balance at December 31, 2019	Formation	Payments	Reversals	Inflation adjustment	Transfer of Assets held for sale (Note 17)	Balance at December 31, 2020	12/31/2020	12/31/2019
Labor	129.287	21.509	(25.640)	(13.079)	10.142	4.698	126.917	56.070	57.926
Civil	237.800	47.545	(25.667)	(11.000)	40.675	1.062	290.415	108.203	96.109
Tax	14.364	8.064			19.929		42.357	628	627
Regulatory	8.712	3.709	(1.189)		142		11.374		
Other	53.081	6.379	(2.558)	(4.277)	148	74	52.847		
Total	443.244	87.206	(55.054)	(28.356)	71.036	5.834	523.910	164.901	154.662
Current	8.999						13.545		
Non-current	434.245						510.365	164.901	154.662

The total amount related to the guarantees of probable provisions in the Company is R$ 39,779 on December 31, 2020 (R$ 56,621 on December 31, 2019) and in consolidated R$ 39,779 on December 31, 2020 (R$ 113,243 on December 31, 2019).

31.1.1.1 Labor

EDP São Paulo, EDP Espírito Santo, EDP Soluções, Porto do Pecém, Energest and EDP - Energias do Brasil

Refer to several lawsuits disputing, among other issues, overtime payments and hazardous work and salary equalization.

On August 4, 2015, with decision on unconstitutionality claim 479-60.2011.5.04.0231, Full Court of the Superior Labor Court (TST) decided that labor debits should be adjusted for inflation based on Special Extended Consumer Price Index (IPCA-E) of the Brazilian Institute of Geography and Statistics (IBGE). This index would be used by the Labor Court Superior Council (CSJT) for the inflation adjustment table of the Labor Court (Single Table). Thus, correction index of these debts, which was Reference Rate - TR, would become IPCA-E.

This new index should be applied to all labor lawsuits involving public and private entities that discuss debts after June 30, 2009 that were not executed or that received final decision. However, on October 14, 2015, the Minister of the Federal Supreme Court (STF) issued an injunction to suspend effects of decision issued by Superior Labor Court - TST.

Subsequently, on December 5, 2017, the 2nd Panel of Brazil's Supreme court (STF), by majority vote, dismissed the lawsuit filed by the National Federation of Banks (Fenaban) against the decision of the Superior Labor Court (TST) in the proceedings of case ArgInc-479-60.2011.5.04.0231, which determined the application of the IPCA-E as an index of correction for inflation with regard to labor-related debts. In the decision challenged by Fenaban, the TST declared that the use of the "TR" as a correction index in the Labor Court was unconstitutional, and consequently, the previously deferred injunction was revoked, and determined the adoption of the IPCA-E determined by the IBGE to calculate such debts.

In March 2018, the Motions for Clarification were judged by the TST, and the Company and its subsidiaries presently understood that the STF's decision should be applied after their modulatory effects and not to the whole process, thus, the application of IPCA-E should occur as of March 25, 2015. The theme is subject to appeal.

Thus, since December 2017, the Company and its subsidiaries began to adjust all of their labor claims based on IPCA-E.

31.1.1.2 Civil

EDP São Paulo and EDP Espírito Santo

Refer mainly to claims for reimbursement of amounts paid in the form of tariff increases by industrial consumers due to the application of DNAEE Ordinances 38/86 and 45/86 (the Cruzado Plan), in force from February to November of that year. Original values are restated based on the system used by the Judiciary. As of December 31, 2020 the balance for EDP São Paulo totals R$ 62,319 (R$ 54,906 as of December 31, 2019) and for EDP Espírito Santo, R$ 5,078 (R$ 4,258 as of December 31, 2019), of which the following process is highlighted for EDP São Paulo:

• Case 2000.001.127615-0, pending at the 10th Civil Court of the Central Jurisdiction of the Rio de Janeiro Judicial District, filed by White Martins, which discusses the existence of consequences arising from the term of validity of Ordinances 38/86 and 45/86 of the now-defunct DNAEE, in electricity consumption tariffs (rates), for the period from September 2000 onward. In April 2010, EDP São Paulo complied with a court order to replace the existing procedural guarantee, letter of guarantee by bank deposit, in the amount of R$ 60,951 and, in June 2011, the judicial deposit was increased by the amount of R$ 10,627. EDP São Paulo presented several manifestations and appeals aiming at suspending the enforcement of the amount, as well as to revert the determination of discount of 16.66% in the monthly invoices of White Martins, until, on June 8, 2011, it was authorized the withdrawal, as payment, of the amount of R$ 60,951 deposited initially, without providing a guarantee. On June 10, 2011, White Martins obtained this deposit, monetarily restated to R$66,806. Notwithstanding the raising of the aforesaid deposit, the amount of R$10,627 remains on deposit with the court, and there are also appeals pending before the Court of Appeals of Rio de Janeiro and the Superior Court of Justice (STJ) discussing the matter. Currently, a new expert examination was conducted, in compliance with the judgment. The accounting record was presented in order to reduce the judicial deposit in return for a decrease in the provision made for this contingency. The remaining balance as of December 31, 2020 is R$ 51,442 (R$ 45,691 as of December 31, 2019).

Investco

As of December 31, 2020, Investco recorded a provision of R$ 12,971 (R$ 10,708 as of December 31, 2019) referring to:

(i) Indemnities

Indemnities claimed by people that consider themselves impacted by fulfillment of UHE Lajeado reservoir or that intend to increase indemnities received from Investco as a result of said fulfillment, for which a provision of R$ 2,725 on December 31, 2020 (R$ 2,071 on December 31, 2019) was recorded.

(ii) Expropriations

Refer to indemnities as expropriation proposed by Investco to fill reservoir of UHE Lajeado, in which the difference between amount deposited by Investco and the amount estimated by the expropriated and on December 31, 2020, the amount formed is R$ 10,246 (R$ 8,637 on December 31, 2019). The balance of judicial deposits on December 31, 2020 and December 31, 2019 is R$ 13,138 and are recorded at the item Constructions in progress - Other (Note 22).

31.1.1.3 Tax

Enerpeixe

Administrative Proceeding according to the Brazilian Federal Revenue Service, aimed at the collection of income tax (IRPJ) and social contribution (CSLL) calculated in the periods from 2014 to 2016 for supposed lack of payment. On December 31, 2020, the restated amount is R$ 2,086 (R$ 2,043 on December 31, 2019). Enerpeixe made administrative defense and is awaiting decision.

EDP São Paulo

On December 31, 2020, the total amount of contingency is R$ 10,572 (R$ 10,396 on December 31, 2019) due to revaluation of evidences of legal process that discusses the right to ICMS credits utilized by the Company in the period from July to December 2003, referring to "Annulment/Return of Sale of electrical Energy". A partial provision was established for the total amount of the contingency, as well as segregation of the risk classification. EDP São Paulo has presented its defense and is awaiting judgment. The risk value has substantially increased due to the new adjustment criteria of the State Law 13918/09 and fees required by State Attorney's Office in the judicial phase.

EDP Espirito Santo

Lawsuit filed by the Brazilian Federal Revenue Service aiming at collection of PIS and COFINS for 2002 and 2005 due to lack of processing of tax returns rectifications resulting from the extraordinary tariff recomposition, according to guidelines of Opinion COSIT 26/02. As expert assessment was not accepted in records, the Superior Court rendered an unfavorable decision and a contingency of R$ 27,295 was recognized on December 31, 2020. EDP Espirito Santo filed an appeal and is awaiting judgment.

31.1.1.4 Regulatory

EDP São Paulo and EDP Espírito Santo

They refer to the tax assessment notices issued by ANEEL or other regulatory agencies that are in the phase of appeal by the subsidiaries.

31.1.1.5 Other

Porto do Pecém

As a result of business combination related to purchase of Porto do Pecém, the amount of R$ 21,745 is considered on December 31, 2020 (R$ 21,745 as of December 31, 2019) resulting from lawsuit in which Porto do Pecém is co-plaintiff, promoted by a service provider of the plant construction that challenges alleged contract breach. It is currently awaiting the beginning of the test phase of production.

31.1.2 Risk of possible loss

There are ongoing labor, civil and tax proceedings, the loss of which has been deemed as possible. These items are periodically reassessed, not requiring formation of provisions as follow:

	Parent Company				Consolidated			
			Assets				Assets	
	Balance at		Judicial deposit		Balance at		Judicial deposit	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Labor	4.744	11.145	62	156	124.635	117.913	7.264	9.927
Civil	53.493	45.025	296	313	1.156.349	892.586	17.143	23.509
Tax	46.106	51.842	966	3.097	2.036.393	1.695.516	129.302	119.217
Regulatory						15.872	552	552
Total	104.343	108.012	1.324	3.566	3.317.377	2.721.887	154.261	153.205

The total amount related to the guarantees of possible provision in the Company is R$ 833,672 on December 31, 2020 (R$ 664,157 on December 31, 2019) and in consolidated R$ 851,455 on December 31, 2020 (R$ 1,352,674 on December 31, 2019).

Among the main claims where losses are deemed as possible, the highlights are as follow:

31.1.2.1 Labor

EDP - Energias do Brasil, EDP Espírito Santo, EDP São Paulo, Porto do Pecém, EDP Soluções, Energest and EDP Transmissão

Refers to several lawsuits that, in general, relate to overtime payment, salary equalization, joint responsibility involving service providing companies, indemnity for pain and suffering/ property damage derived from occupational diseases/accidents, among others.

31.1.2.2 Civil

EDP - Energias do Brasil

• Lawsuit 1109675-81.2014.8.26.0100, in progress in the 20th Civil Court of São Paulo Central Court, filed by Montcalm Montagens Industriais S.A. against companies MABE Construção e Administração de Projetos LTDA, Pecém II Geração de Energia S.A, Eneva S.A. and EDP Energias do Brasil, discusses an alleged contract unbalance in subcontracting carried out by MABE for provision of equipment assembling services related to implementation of UTE Pecém II, company of the Eneva S.A. economic group. Montcalm alleges that companies are jointly responsible for non-compliance with contract non-compliances, due to alleged contract succession and corporate succession. Currently, lawsuit is in the expert investigation stage. The estimated amount on December 31, 2020 is R$ 48,542 (R$ 41,180 on December 31, 2019).

Investco

• They refer mostly to lawsuits described in note 31.1.1.2 – Indemnities and Expropriations, in the amount of R$ 134,052 as of December 31, 2020 (R$ 112,346 as of December 31, 2019).

EDP Espírito Santo and EDP São Paulo

• Public civil action No. 26725-92.2009.4.01.3800, being processed by the 3rd Federal Civil Court of Belo Horizonte, filed by the Collective Interest Defense Association (ADIC), and claiming indemnity for material damages arising from the tariff adjustment (Parcel A). A decision was handed down in this litigation that determined the exclusion of the concessionaires from the list of defendants of the lawsuit, maintaining only ANEEL. The proceeding was suspended until the Superior Court of Justice (STJ) as at November 27, 2013, considered the 3rd Federal Circuit Court of Belo Horizonte competent to judge all the collective claims addressing the issue of Parcel "A". On April 5, 2017, a decision was issued extinguishing the case, also regarding ANEEL. After decision that extinguished the lawsuit without solution of the merit, presently the Company is awaiting decision of the appeal by the plaintiff. The lawsuit is conducted only in relation to ANEEL. As of December 31, 2020, the estimated amount for EDP Espírito Santo is R$ 87,348 (R$ 73,244 as of December 31, 2019) and that for EDP São Paulo is R$ 196,284 (R$ 164,589 as of December 31, 2019).

• Injunction 0002173-26.2014.4.01.3400, being processed at the 22nd Federal District of the Federal Regional Court of the 1st Region, which had been filed by Santo Antônio Energia S.A. (SAESA) against an act of the ANEEL Executive Board, and aiming at suspending liabilities for recomposing guarantees and capacity and avoiding payment of charges for transmission system use and possible penalties for failures to adhere to the timing plan. On February 26, 2014, the request for court authorization prior to judgment was partly granted, and impacted power distributors. Upon that decision, the subsidiaries, through the Brazilian Association of Energy Distribution Companies (ABRADEE) filed a request before the Superior Court of Justice for suspending the granting, and the request was accepted. Currently, decision on appeal is being awaited. As of December 31, 2020, the estimated amount for EDP Espírito Santo is R$ 16,303 (R$ 13,694 as of December 31, 2019) and that for EDP São Paulo is R$ 18,077 (R$ 15,184 as of December 31, 2019).

EDP Espírito Santo, EDP São Paulo, Lajeado, Investco, Energest and Enerpeixe

• Ordinary Action 0028271-48.2014.4.01.3400, in process in the 13th Federal District of the 1st Region Federal Regional Court, also filed by SAESA against ANEEL with a request for a preliminary injunction to prevent application of the Mechanism for Assured Energy Reduction (MRA), in the Santo Antônio Hydroelectric Power Plant, during the turbine installation period. In the trial court the preliminary injunction was denied. In the appeal court, the Federal Regional Court accepted SAESA's request for action before court ruling and approved the retroactive effect, so that it became effective since early March 2012. The subsidiaries and ANEEL together filed requests for the Superior Court of Justice to suspend the preliminary injunction, and the requests were upheld, suspending it. On March 18, 2015, appeal proposed by SAESA was denied by STJ's special court. The decision considering SAESA's requests invalid was published on September 26, 2018. Currently, decision on appeal is being awaited. On December 31, 2020, the estimated consolidated amount is R$ 24,244 (R$ 20,557 on December 31, 2019).

Porto do Pecém

As a result of the situation of hydric shortage in the state of Ceará, the state government, by means of Decree 32044 of September 16, 2016, established the collection of the Emergency Hydric Charge (EHE) to be levied on thermoelectric industries in the state, monthly charging based on the verified consumption in the amount of R$7,210.00 every 1,000 cubic meters.

On October 13, 2016, the Porto do Pecém submitted to ANEEL an administrative request for obtaining, provisionally, the application of the new value of the Variable Cost per Unit (CVU) of the energy generated by the UTE Pecém I, in view of the collection of the new charge, once the same would affect the economic and financial equation of the Electricity Sale Contracts in the Regulated Environment (CCEAR). ANEEL, through Order 3293 as of Lawsuit promoted against ANEEL at December 19, 2016 is in progress, in order to have guaranteed the economic and financial balance of CCEARs, with transfer of the EHE to CVU. At January 31, 2017, preliminary injunction was dismissed. On May 3, 2017, Porto do Pecém filed a new appeal requiring new appreciation of the decision that granted temporary relief in favor of Porto do Pecém. The proceeding is currently awaiting the decision. In view of the facts, Porto do Pecém has recognized and transferred full EHE costs to CVU impacting net income as a counterparty to accounts receivable. On August 11, 2017, Decree 32305/17 was promulgated by the Ceará state government, which extended the charge for an indefinite period.

The estimated amount of the share on December 31, 2020 is R$ 125,692 (R$ 107,193 on December 31, 2019). The change in the year is due to the review of assumptions involving the calculation of the contingency, which previously took into account the estimate of the amount of EHE to be paid, according to the historical average, and now considers the effective risk of the action considering the transfer of the unit variable cost.

31.1.2.3 Tax

EDP - Energias do Brasil (Parent company and Consolidated)

• The Company is a party to administrative and judicial discussion related to the Brazilian Federal Revenue Service not recognizing a corporate income tax (IRPJ) negative balance, determined for the years 1999/2001, originating from a merged company (Magistra Participações S.A.), and that totals R$ 22,684 on December 31, 2020 (R$ 22,431 on December 31, 2019). The lawsuits are pending judgment in the administrative level.

EDP São Paulo and EDP Espírito Santo

• Lawsuit aiming to ensure the right to include PIS and COFINS debits for the periods of 2015 and 2017 to EDP São Paulo and to include PIS, COFINS debits, IRPJ (Corporate Income Tax) and CSLL (social contribution on net income) debits for the periods of 2015 and 2016 to EDP Espírito Santo, in the Special Tax Regularization Program (PERT), established by the Brazilian Federal Revenue Service, which are being regularly paid. However, they were not in the system at the time of consolidation carried out in December 2018, involving the amount of R$ 34,660 for EDP São Paulo and R$ 140,271 for EDP Espírito Santo on December 31, 2020. Currently, awaiting the court's decision.

EDP São Paulo

• Discussion at the judicial level regarding ICMS credits utilized by EDP São Paulo in the period from July to December 2003, referring to "Annulment/Return of Sale of electrical Energy" amounting to R$ 123,163 restated up to December 31, 2020 (R$ 121,905 as of December 31, 2019), the decrease in the amount was die to revaluation and segregation of amounts, which were distributed into probable, possible and remote. EDP São Paulo has presented its defense and is awaiting judgment. The risk value has substantially increased due to the new adjustment criteria of the State Law 13918/09 and fees required by State Attorney's Office in the judicial phase.

• Administrative proceedings from supposed uses of undue ICMS credits, originating from the reversal of debit of canceled invoices (2007, 2012 and 2015) and crediting of fixed assets (from 2014 to 2019), the restated amount of R$ 139,426 through December 31, 2020 (R$ 35,570 as of December 31, 2019). The amount underwent a significant increase, due to the filling of new claims. EDP São Paulo has presented its defense and is awaiting judgment.

• Court discussion deriving from Tax Foreclosure filed by Federal Government claiming charge of CSLL (social contribution on net income) referring to calendar year 2009, which was offset against prior years' CSLL negative basis balance accumulated by spun-off company AES Eletropaulo that involves the amount of R$ 39,456 adjusted on December 31, 2020 (R$ 39,064 on December 31, 2019). EDP São Paulo has presented its defense and is awaiting judgment.

• Administrative proceedings involve the restated amount up to December 31, 2020 in the amount of R$ 197,052 (R$ 211,901 as at December 31, 2019) referring to the non-homologated offsets of credits arising from IRPJ, CSLL, PIS and COFINS overpayments in 2001, as a result of the application of COSIT Opinion 26/02 (taxes on RTE). The amount decrease was due to the favorable decision obtained in one of the administrative lawsuits, canceling the debt collection. EDP São Paulo presented defenses, and are awaiting judgment.

• Lawsuit relating to Cofins of the period of 1993 to 1995, in a joinder with Eletropaulo. The dispute refers to the right to the future use of the amnesty brought by Provisional Measures nos. 1858-6 and 1858-8, granted to taxpayers that failed to pay taxes as they considered them inappropriate. In the second instance judgment, the right to amnesty was partially confirmed, excluding the portion concerning the charges of Decree Law 1025/69. On December 31, 2020, the restated amount is R$ 76,798 (R$ 76,339 on December 31, 2019). The proceeding is currently awaiting the judgment of an Appeal to the Higher Courts.

• Assessments of the Municipal Authorities that require the payment of fine for alleged breach of ancillary liabilities related to the installation of electricity poles as well as inspection fees for works and public places and public price. On December 31, 2020, the contingency estimated amount is R$ 98,275 (R$ 75,128 on December 31, 2019). The value had a significant increase due to new additions. EDP São Paulo presented defenses, and are awaiting judgment.

• Administrative discussions related to non-approval, by the Brazilian Federal Revenue Service, of the credits arising from the negative balance of IRPJ (income tax) and CSLL (social contribution) relating to calendar year 2015, involving the amount of R$ 12,145 on December 31, 2020. EDP São Paulo has presented its defense and is awaiting judgment.

• Administrative discussions related to non-approval by the Brazilian Federal Revenue Service of PIS and COFINS credits overpaid in the periods of 2015 and 2016, involving the amount of R$ 15,964 on December 31, 2020. EDP São Paulo has presented its defense and is awaiting judgment.

EDP Espírito Santo

• Administrative dispute related to the tax deficiency notice assessed by the Brazilian Federal Revenue Service, aiming at collecting the PIS, COFINS, IRPJ and CSLL for the periods of 2014 and 2015, levied on non-technical losses of electric power. The amount of the restated lawsuit up to December 31, 2020 is R$ 178,709 (R$ 174,531 on December 31, 2019). EDP Espírito Santo has presented its defense and is awaiting judgment.

• INSS tax authorities issued social security contribution on: (i) not considering self-employed and other legal entities, claiming the existence of employment bond between service providers and EDP Espírito Santo; and (ii) the levy of INSS tax on profit sharing and scholarship payments made to employees that are pension plan members. These notifications restated up to December 31, 2020 amount to R$ 8,596 (R$ 8,527 on December 31, 2019) and are currently awaiting administrative adjudication.

• Sundry municipal authorities: EDP Espírito Santo is discussing in court and administratively the collection of ISSQN allegedly levied on services related to the supply of electrical power. Also includes payment demand on land occupied by posts for the electricity network and public lighting. These proceedings restated up to December 31, 2020 total the amount of R$ 112,099 (R$ 109,961 on December 31, 2019). Of this amount, special emphasis on the amount of R$ 93,181 (R$ 91,880 at December 31, 2019) due to the issuance of 123 tax assessment notices by the municipality of Vitória, aiming at collecting the ISSQN the period from March 2011 to February 2016. EDP Espírito Santo presented administrative and judicial defenses, and are awaiting judgment.

• Administrative and court proceedings with regard to tax offsetting issues not ratified by the federal tax authorities, based on credits recognized in court, as well as negative IRPJ and CSLL balances resulting from IRPJ, CSLL, PIS, and COFINS overpayments made in 2001, as a result of applying Opinion COSIT 26/02 (taxes on RTE) totaling R$ 112,800 as of December 31, 2020 (R$ 176,552 as of December 31, 2019). Contingency reduction was due to success in one of the lawsuits, and to change in risk of another lawsuit. Accordingly, a provision was recorded in probable contingencies. Remaining lawsuits are awaiting judgment.

Additionally, the balance shown in the Judicial Deposit on December 31, 2020 is mainly due to case No. 2009.50.01.010131-6, filed in July 2019 in the amount of R$ 55,334 (R$ 53,801 on December 31, 2019), on the tax enforcement aimed at collecting COFINS debts for the months of March to October 2001, which were offset with credit arising from the improper payment of "FINSOCIAL." After the decision in the case records of an interlocutory appeal against the National Treasury, the settlement of the Bank Guarantee Letter presented in the case execution documents was determined, resulting in the judicial deposit.

EDP Comercializadora

• Administrative discussion about the collection of IRPJ, CSLL, PIS and COFINS debts referring to 2004/2006, arising from the non accreditation of the offsetting of these tax credits. The restated amount of these proceedings on December 31, 2020 is R$ 17,816 (R$ 17,621 on December 31, 2019). Currently, lawsuits are waiting for judgment.

• Administrative dispute arising from the Notice of Tax Violation issued by Brazilian Federal Revenue Service, aiming to collect a fine for allegedly incorrect information in the ancillary obligations (EFD ICMS/IPI and EFD Contributions) for the period of 2016, involving the amount of R$ 23,450 on December 31, 2020 (R$ 22,789 on December 31, 2019).

Lajeado

• The administrative and legal spheres discuss proceedings of the Brazilian Federal Revenue Service in 2014, aimed at the collection of income tax (IRPJ) and social contribution (CSLL) due to the disallowance of expenditure on goodwill on the acquisition of ownership interest. On December 31, 2020, the restated amount is R$ 142,330 (R$ 130,583 on December 31, 2019). Currently, it is awaiting the collection judgment of the adjusted fine in the administrative sphere and in the judicial sphere of the other amounts under collection (principal restated with increase in charges of Attorney General's Office).

• Tax Assessment Notice drawn up by the Brazilian Federal Revenue Service, aimed at the collection of a fine for allegedly incorrect information in ancillary obligations (EFD ICMS/IPI and EFD Contributions), as well as the collection of PIS and COFINS for the 2016 period, since the Brazilian Federal Revenue Service did not consider the peculiarities of the energy sector for the purposes of calculating said taxes. The total amount is R$24,584 on December 31, 2020. Lajeado has presented its defense and is awaiting judgment.

Enerpeixe

• Administrative disputes related to the offsets of PIS and COFINS not ratified by the Brazilian Federal Revenue Service in the periods from 2012 to 2015, due to the supposed shortage of credit as the ratifying DCTFs have not been analyzed by the Federal Revenue Service as of December 31, 2020, totaling the amount of R$ 143,739 (R$ 113,874 as of December 31, 2019). Significant increase in value is due to entry of new lawsuits. Enerpeixe presented defenses, and are awaiting judgment.

• The administrative sphere discusses proceedings of the Federal Revenue Service, aimed at the collection of income tax (IRPJ) and social contribution (CSLL) calculated in the periods from 2014 to 2016 for supposed lack of payment. On December 31, 2020, the restated amount is R$ 58,994 (R$ 57,512 on December 31, 2019). Enerpeixe made administrative defense and is awaiting decision.

• Administrative Proceeding 10314-726111/2014-73, targeting the collection of IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) for calendar year 2009, due to the deductions made for interest on own capital from the calculation basis. Enerpeixe obtained favorable decisions in the first and second administrative instances. Currently, appeal is awaiting the court's decision presented by National Treasury. On December 31, 2020, the restated amount is R$ 22,761 (R$ 22,388 as of December 31, 2019).

• Tax foreclosure filed by the State Treasury of Tocantins, targeting the collection of a fine due to supposed discrepancies of information contained in the records for the 2014 period. On December 31, 2020, the restated amount is R$ 4,838 (R$ 4,809 on December 31, 2019). Enerpeixe made defense and is awaiting decision.

Porto do Pecém

It refers to the legal discussion of the tax foreclosure nº 000.153777.2015.405.8100 totaling R$ 91,823 on December 31, 2020 (R$ 90,292 on December 31, 2019) filed by Federal Government, aiming at the collection of IRPJ (Corporate Income Tax) and CSLL (Social contribution on net revenue) debits resulting from the exclusions of certain financial income and foreign exchange income earned in the months of January, February and December 2009. Porto do Pecém has presented its defense and is awaiting judgment.

31.1.3 Risk of remote loss

Additionally, there are ongoing labor, civil and tax proceedings, the loss of which has been deemed as remote. For these lawsuits, judicial deposit balances as of December 31, 2020 for the parent company totaling R$ 5,567 (R$ 5,378 as of December 31, 2019) and in the transmission subsidiaries, EDP São Paulo, EDP Espírito Santo, EDP Soluções, EDP Comercializadora, Enerpeixe, Porto do Pecém, Energest e Investco is R$ 71,965 (R$ 50,362 as of December 31, 2019).

Considering the provisions of item 86 of CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, the Company is not required to provide a breakdown of the contingencies classified as remote losses. However, as principal generating event is elapsing with no perspective of ending in the medium term, given balances 'materiality, we disclose action mentioned below.

31.2 Environmental permits

The amount of R$ 121,292 - Current and non-current - on December 31, 2020 (R$ 111,362 on December 31, 2019) refers to provisions for the costs of providing previous permits, installing and operating UHEs, PCHs, UTE and LT, related to requirements of governmental agencies.

Environmental permit costs are either associated with the Basic Environmental Project - PBA or are in addition to it, and their main objectives are reforestation, acquisition and regularization of rural and urban areas, recovery and improvement of roads, electrical and sanitary infrastructures, and the implementation of conservation units. The balance of this provision is recognized based on the best available estimate, and monetarily restated based on the general market price index (Índice Geral de Preços do Mercado - IGP-M). The subsidiaries made the adjustment to present value on the balance as a discount, which is compatible with the nature, term and risks of similar transactions under market conditions.

Previous permits and installation permits obtained during planning and installation of the projects, and consequently, are recognized as plant costs, more specifically as dam costs (hydroelectric power plants) or machinery and equipment (thermal plants), according to according to the Electricity Sector Accounting Manual (MCSE) published by ANEEL, and depreciated over the useful life of such property, plant and equipment. The operating permits, obtained for the commercial go-live of the plants, are recognized as intangible assets and will be amortized over a period which represents the duration of the permits.

Power generation, distribution and transmission subsidiaries are subject to extensive Brazilian environmental legislation in the federal, state and municipal spheres. Compliance with this legislation is verified by government agencies and authorities that have the power to impose administrative sanctions for any breach of the legislation.

The costs associated with the maintenance of these permits allow to prevent the occurrence of social and environmental impacts, contributing to the management of operating and regulatory risks, and also allow social and environmental actions focused on sustainable development.

The Company is constantly committed to and assumes responsibility for environmental issues, seeking excellence and a solid basis to plan its actions, being in line with Sustainable Development Goals (SDG's) and with direct commitment to objective 13, which deals with changes, and objective 15, on protection of life on earth. To manage this theme, it enforced a Policy on Environment in line with ISO 14,001, whose purpose is to include an Environment Management System with activities carried out by local business units' environment areas.

The Company and its subsidiaries develop projects that also confirm their commitment with efforts to restore and preserve biodiversity, namely:

(i) Water and affluents: With focus on water resources' conservation and efficient use, the Company and its subsidiaries have in place a rainwater collection system on the roof of Porto do Pecém subsidiary's administrative building, in Centro de Serviços da Distribuição Poá (CSD) at the Company's headquarters in São Paulo and in Mogi das Cruzes and São José dos Campos units.

(ii) Waste: In addition to seeking reduction of materials' consumption, the Company and its subsidiaries segregate, store, treat and dispose of their waste in an environmentally appropriate manner. In subsidiary Porto do Pecém, ashes produced in power generation are reused, sent for processing in cement industry, thus reducing the quantity of non-hazardous waste sent to landfill. Distributors have a contract for recovery of transformers that help reduce natural resources' consumption to manufacture new equipment, encouraging circular economy.

(iii) Biodiversity: In their environmental policy, the Company and its subsidiaries establish commitments related to biodiversity and ecosystem services and to management of impacts of their activities along their value chain. Main continuous actions involve aerial and fluvial monitoring of the plant's dams, monitoring of fauna and flora in plant's areas and rights of way (lines and networks) in distribution and transmission rural areas.

(iii) Emissions management: The Company has a strategic plan focused on this theme, with assessment of risks and opportunities, considering possible effects on its operations.

Expenses incurred with environmental licensing in the year came to R$ 112,399 (R$ 151,021 in 2019). Out of this sum, the amount capitalized in the year under the headings of Property, plant and equipment, Intangible assets and Concession assets was R$ 90,380 (R$ 133,369 in 2019), related to biodiversity and landscape protection and environment management and protection. With counterparty in income (loss) for the year, under Third-party services, the amount of R$ 22,019 (R$ 17,652 in 2019) was recorded, related to the Soil and Underground Water Monitoring in all Company facilities, and waste management.

31.3 Dismantling

The amount of R$ 9,925 on December 31, 2020 (R$ 9,241 on December 31, 2019) refers to subsidiary Porto do Pecém. The Dismantling was constituted in order to address the responsibility relating to the expenses on replacement of the sites used by the power plant in its original state. This provision was calculated based on the current value of corresponding future responsibilities and is recorded as a counterparty to Property, plant and equipment (Note 22). Provisions are subject to an annual review, in accordance with estimated future responsibilities.

The calculation of the allowance was made from the costs obtained from reputable external entities, designed by the end of plant's operation authorization, restated at IGP-M, and then calculated the present value of this liability at the discount rate of 9.0% p.a. representing the financing rate at the time of recognition.

32 Shareholders' equity

32.1 Capital

The General and Special Shareholders' Meeting - AGOE held on March 31, 2020 deliberated a capital increase in the amount of R$820,000, through the capitalization of part of the profit retention reserve, without the issue of new shares, with the consequent amendment in Article 5 of the Company's Bylaws.

On December 31, 2020, the Company's capital is R$ 5,502,716 (R$ 4,682,716 on December 31, 2019), fully subscribed and paid-up, represented by 606,850,394 common shares, all registered, book-entry and with no par value, with the following main characteristics:

• Capital is exclusively represented by common shares. Each common share will grant the holder the right to one vote on the resolutions of the Company's General Meetings;

• The shares are indivisible in relation to the Company. When the share belongs to more than one person, the rights vested thereupon will be exercised by the joint ownership representative;

• The issue of Founders' shares by the Company is prohibited;

• The Company is authorized to increase the capital up to the limit of 1,000,000,000 new common shares regardless of statutory reforms, by decision of the Board of Directors, which will also be responsible for establishing the terms of the issue, including the price, term and form of its payment;

• The Company may issue shares, debentures convertible into common shares and subscription bonuses within the limit of the authorized capital; and

• At the sole discretion of the Board of Directors, it is possible to exclude or reduce the right of preference in the issues of shares, debentures convertible into shares and subscription bonuses, whose placement is performed through sale at a stock exchange or public subscription, under legal terms, and within the limit of the authorized capital.

The common shares are classified as capital, and any costs attributable to the share issue are deducted, when applicable.

The capital is composed as follows:

	12/31/2020		12/31/2019		
Shareholder	**Number of shares**	**% interest**	**Number of shares**	**% interest**	**Controlling shareholder**
EDP International Investments and Services, S.L. (1)	176.860.123	29,14	168.185.223	27,71	Yes
EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda (1)	142.584.671	23,50	142.584.671	23,50	Yes
Board members and Directors	92.613	0,02	90.039	0,01	
Treasury shares (2)	8.139.746	1,34	2.044.344	0,34	
Free-float shares	279.173.241	46,00	293.946.117	48,44	
Total	606.850.394	100,00	606.850.394	100,00	

(1) Foreign-owned company.

(2) Treasury shares do not have equity rights.

32.2 Profit distribution

The net profit for each year shall be deducted, before any allocation of accumulated losses and for successively in the following order:

(i) 5% (five percent) will be invested in the formation of legal reserve which shall not exceed 20% (twenty percent) of capital;

(ii) 25% will be destined to payment of dividends; and

(iii) the remaining balance shall have its destination determined by the Shareholders General Meeting, pursuant to the previous provisions.

The shares are entitled to minimum dividends of 25% of the adjusted net profits, as provided for by law, and the amount of interest on own capital (JSCP) paid or credited individually to the shareholders as remuneration on capital may be included as part of the total dividend payments of the Company, for all legal purposes and pursuant to the terms of Law 9249/95, and subsequent regulations.

The Company's policy, pursuant to the 120th meeting of the Board of Directors held on March 5, 2008, proposes the payment of a minimum amount equivalent to fifty percent (50%) of the adjusted net profit, calculated in conformity with Article 189 and subsequent articles of the Corporation Law, which can be reduced when required by a legal or regulatory provision or when advisable in view of the financial situation and/or future prospects of the Company.

	Note	12/31/2020	12/31/2019
Income to be destined:			
Net profits for the year		1.508.017	1.337.856
First-time adoption of CPC 47 and 48			1.474
Adjusted profit		1.508.017	1.339.330
Formation of legal reserve - 5%	32.3	(75.401)	(66.967)
		1.432.616	1.272.363
Allocation of income:			
Interim dividends - JCP (Interest on own capital)	14	162.366	236.000
Supplementary mandatory dividends	14	220.143	117.491
Profit reserve	32.3	833.905	667.558
Income for the year to be deliberated	32.3	216.202	251.314
		1.432.616	1.272.363
Dividends per share - R$ - Interest on own capital		0,27125	0,39021
Dividends per share - R$ - Supplementary dividends		0,36769	0,19426

32.3 Reserves

	Note	12/31/2020	12/31/2019
Capital reserves			
Income (loss) from disposal of treasury shares		62.261	62.185
Stock options granted	32.3.1	10.552	7.538
Goodwill in the merger of parent company		35.351	35.351
Other capital reserves		32.905	34.504
		141.069	139.578
Profit reserves			
Legal		565.867	490.466
Profit retention	32.3.2	4.583.041	4.317.822
Proposed additional dividend		216.202	251.314
		5.365.110	5.059.602

On December 31, 2019, the amount of the profit reserves, disregarding the proposed additional dividend item, exceeded the Company's Capital. Pursuant to Article 199 of Law 6404/76, Company Management proposed a capital increase with the excess of these reversals in the amount of R$ 820,000, to be ratified at the AGM, held on March 31, 2020 (Note 32.1).

32.3.1 Stock options granted

The Company provides to its managers and certain employees appointed by Board of Directors, stock option plans for purchasing shares of the company. Options are priced at fair value on grant date, adjusted at present value and are recognized on a straight-line basis in income over option grant period as a contra-entry to shareholders' equity. At the end of each year, the Company reviews its estimates of the number of options and shares whose rights must be acquired based on these conditions and recognizes impact of initial estimates review, if any, in the statement of income as a contra-entry to shareholders' equity.

The change in the year in the amount of R$ 3,014 derives from: (i) the provision for the amount of shares granted related to stock plans I, II, III and IV in the amount of R$ 2,081; and (ii) inclusion of new employees indicated in the option plan V of R$ 933.

In the year 2020, shares were granted, resulting from the dismissal without cause by the Company.

32.3.1.1 Share-based remuneration plan characteristics

The Shareholders' Meeting of the Company held on April 10, 2015 established the implementation and structuring of the Policy on Share-based Payment. On May 2, 2016, the Board of Directors approved the Regulation related to such policy.

The remuneration policy aims at recognizing the organizational and individual performance of beneficiaries, by handing over the shares issued by it. The Beneficiaries of the Remuneration Policy shall be elected by the Board of Directors, based on the recommendations by the Remuneration Committee, taking into consideration, among other reasons, the importance and essentiality of the role performed, their engagement in strategic projects, achievement of goals related to their individual performance and/or the global performance of the Company within the corresponding assessment period, approved by the relevant body, as well as the added value that such Beneficiary offers to the Company. The policy establishes two types of programs, as described below:
(i) Incentive program – the program beneficiary is entitled to receive, in the future, up to two shares per each share issued by the Company acquired using 30% of the net value of the annual performance bonus; and
(ii) Retention program - the program beneficiary is entitled to receive shares issued by the Company as complementary annual bonus payment occasionally granted by the Company.

The shares issued by the Company subject to the remuneration policy may not represent, at any time, more than 1% of the Company's capital.

The price of the shares acquired by beneficiaries shall be equivalent to the weighted average price of shares issued by the Company traded at B3 in the 60-day period prior to such acquisition date.

The incentive or retention program shares shall only be granted to the beneficiaries who remain continuously employed as managers and/or employees of the Company and/or Subsidiaries during the grace period. Additionally, in relation to the incentive program beneficiaries, they shall keep their respective original shares, abstaining from encumbering and/or transferring them.

In cases termination was the initiative of the program's beneficiary and/or the initiative of the Company and/or Subsidiaries with cause during the grace period, the right to receive granted shares not fully acquired will be full-fledged and automatically extinct, regardless of previous notice, and with no right to indemnity.

In cases Termination was the initiative of the Company and/or its Subsidiaries without cause or due to retirement of Beneficiaries during program period, will be entitled to a number of retention shares, as adequate, proportional to the number of months of the grace period elapsed up to Termination date, and the right to receive other granted shares not fully acquired is full-fledged and automatically extinct, regardless of previous notice, and with no right to indemnity.

The handover of incentive shares shall occur after the grace period, that is, three years, in case the market profitability is achieved (accumulated return equal to or above 15% on the average computation of the Electrical Energy Index (IEE) and Bovespa Index - IBOVESPA), or after five years, in case the market profitability established in the rules is not achieved.

In relation to the incentive program, during the period of one year after the acquisition of the Company's shares, these cannot be traded, however, if after this period the beneficiary trade them, he/she shall automatically lose the right to receive incentive shares.

Find below a summary and changes in remuneration plans in force:

Plans	Acquisition date	Qty. of shares acquired by employees	Unit price (R$)	Total value of acquired shares	Number of shares to be granted	
					Incentive plan	Retention plan
Remuneration plan I	June 2016	61.339	12,37	759	66.464	52.849
Remuneration plan I	June 2016	22.000	13,60	299	44.000	
Remuneration plan II	June 2017	44.113	13,37	590	40.058	64.630
Remuneration plan II	August 2017	27.747	14,26	396	36.000	
Remuneration plan III	June 2018	83.240	13,75	1.144	93.052	176.955
Remuneration plan IV	June 2019	57.892	18,68	1.081	70.100	135.900
Remuneration plan V	June 2020	71.256	16,71	1.191	124.388	96.569
Remuneration plan V	July 2020	12.000	16,71	201	20.746	73.607
Total		379.587			494.808	600.510

Plans	Incentive plan					Retention plan			
	Balance at December 31, 2019	Addition	Grant	Write-off	Balance at December 31, 2020	Balance at December 31, 2019	Addition	Write-off	Balance at December 31, 2020
Remuneration plan I	124.310		(6.325)	(7.521)	110.464	71.039		(18.190)	52.849
Remuneration plan II	85.472		(1.392)	(8.022)	76.058	81.459		(16.829)	64.630
Remuneration plan III	102.352		(1.576)	(7.724)	93.052	194.136		(17.181)	176.955
Remuneration plan IV	75.406		(549)	(4.757)	70.100	149.156		(13.256)	135.900
Remuneration plan V	-	148.388		(3.254)	145.134	-	170.176		170.176
	387.540	148.388	(9.842)	(31.278)	494.808	495.790	170.176	(65.456)	600.510

32.3.2 Profit retention reserve

The profit retention reserve has been constituted pursuant to Article 196 of Law 6404/76 in support of the Company's Capital Expenditure Program as set forth in the capital budgets submitted to the Ordinary General Shareholders' Meetings.

The change for the year in the amount of R$ 568,686 is due to the capitalization of part of the profit retention reserve for the Company's capital increase (Note 32.1) and decrease in the distribution of dividends as decided at the Ordinary and Extraordinary General Meeting (AGOE) (Note 14).

32.4 Other comprehensive income

The changes in Other comprehensive income in the year is as follows:

	December 31, 2019	Equity in net income of	Balance at December 31,
Equity accounting on other comprehensive income of subsidiaries			
Actuarial gains and (losses): Post-employment benefits of subsidiaries and associated companies	(620.694)	(121.133)	(741.827)
	(620.694)	(121.133)	(741.827)

32.5 Treasury shares

The repurchase of own shares is classified in the line item Treasury Shares and recognized at cost of acquisition charged to shareholders' equity. When these shares are sold, their gain or loss on the transaction will be transferred to Capital reserves.

On August 28, 2020, the Company released a Material Fact stating that, on this date, the Board of Directors approved the program for the repurchase of common shares issued by it. The purpose of the repurchase is to acquire shares issued by the Company to be held in treasury, with the objective of investing available resources to maximize the generation of value for shareholders, since, in the view of the Company's management, the current value of its shares does not reflect the actual value of its assets combined with the prospect of profitability and generation of future results.

Management believes that this resolution is part of the Company's ongoing process of maximizing value for its shareholders and that its current financial situation is compatible with the possible execution of the Buyback Program under the approved conditions, with no impact on the fulfillment of the obligations assumed to the clients, creditors and other commitments. Characteristics of share repurchase program:

Maximum term for undertaking the operations	Maximum shares that can be repurchased within the term	Funds available	Interim financial institutions
18 months after RCA	24,863,880	Profit or capital reserves of the Company, except for the reserves described in the first paragraph of article 7, CVM Instruction No. 567/15	BTG Pactual CTVM S.A.; Itaú Corretora de Valores S.A.; Santander CCVM S.A.; and Safra Corretora de Valores e Câmbio Ltda.

The variation for the period, amounting to R$ 113,833, refers to the acquisition of 6,188,500 own shares at an average price of R$ 18.63, offset by the sale of 83,256 shares related to the adhesion to the 2020 share remuneration program at an average price of R$ 15.73 and grant of 9,842 shares at an average price of R$ 15.73.

32.6 Non-controlling interest

Balance as of December 31, 2020 of R$ 1,135,193 (R$ 1,102,550 as of December 31, 2019) refers to interest that other shareholders hold on subsidiaries (Note 18.1).

The total non-controlling interest on the balance sheet on December 31, 2020 is comprised of: (i) R$ 461,142 corresponding to Lajeado; (ii) R$ 384,483 corresponding to Investco; (iii) R$ 265,711 corresponding to Enerpeixe; and (iv) R$ 23,857 corresponding to EDP Transmissão Aliança.

The summarized information on the cash flows of the subsidiaries that hold non-controlling interests is presented below:

	Investco	Enerpeixe	Lajeado	EDP Transmissão Aliança	Total
Net cash from operating activities	(16.707)	(6.700)	(48.572)		(71.979)
Net cash invested in investment activities	(7.094)	(7.103)	20.931	(162.832)	(156.098)
Net cash invested in financing activities	(37.955)	(131.498)	(321.336)	45.480	(445.309)
Increase (Decrease) in cash and cash equivalents	(61.756)	(145.301)	(348.977)	(117.352)	(673.386)

The balance on December 31, 2020 and December 31, 2019, includes the amount of R$ 451,376 related to founders' shares issued by Lajeado and belonging to Centrais Elétricas Brasileiras S.A. – Eletrobras as detailed below:

32.6.1 Founders' shares

Lajeado, in an Special Shareholders' Meeting, held on February 15, 2006, approved an amendment in its by-laws, and created: (i) 53,210,337 registered preferred nonconvertible and nonvoting shares, entitled to earn dividends 10% higher than those paid to a common share; and (ii) 10,000 founders' shares, without par value, negotiable and unrelated to the Company's capital, granting their holders the right to a possible credit against Lajeado, in an amount equivalent to 10% of the annual profit earned by Lajeado, observing the provisions of Law 6404/76.

These shares, as well as the founders' shares, were fully subscribed and acquired on that date by Eletrobrás.

The duration of the founders' shares is until October 31, 2032, when they will they will be automatically converted into Class A preferred shares (Article 14 of the Bylaws) corresponding to 5.084% of the total shares issued by Lajeado (Article 14, Paragraphs 1 and 2 of the Bylaws), if they have not been redeemed. The redemption can occur at any time at the decision of Lajeado until the end of the duration of the founders' shares.

The instrument called Founders' shares complies with items 16C and 16D of CPC 39, and as such, is classified as an equity instrument. In addition, the item AG26 of CPC 39 establishes that, when payments to holders of cumulative or non-cumulative preferred shares are made in accordance with the issuer's criteria, the shares are equity instruments.

Therefore, we consider that common shares, preferred shares and founders' shares must all be classified as the same type of instruments, i.e., equity instruments, since basically they have the same features.

During the analysis of CPC 48, in item 35, Lajeado Management understood that the distribution of this equity instrument should be recorded directly in Shareholders' Equity, proceeding thusly since 2019.

33 Income

Income is measured at the fair value of the consideration received or receivable. Income is recognized on monthly basis when there is convincing evidence that: (i) identification of rights and obligations in contract with client; (ii) identification of performance obligation in the contract; (iii) determination of price for each type of transaction; (iv) allocation of transaction price to performance liabilities stipulated in contract; and (v) compliance with contract's performance liabilities. Income is not recognized if there are significant uncertainties as to its realization.

The services provided to the clients have mainly the following characteristics: (i) are routine and recurrent; (ii) have the same transfer pattern; and (iii) are provided to the client over a specific period of time. Therefore, in relation to meeting the performance obligation of the Company and its subsidiaries, they are substantially met over time.

The Company and its subsidiaries recognize their income net of any discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

The income of the Company and its subsidiaries is measured according to the performance obligations identified in agreements with clients. The main recognition and measurement criteria per segment are presented below:

Distribution

• **Billed supply:** They are recognized by power supply occurring in a given period. This measurement takes place in accordance with the reading schedule set by the distributor. Income from electricity distribution services is therefore made according to this schedule, and the income from services recorded as invoices are issued based on current tariff approved by regulatory agency.

• **Distribution system use tariff - Billed:** Recognized by the availability of the infrastructure of the electric network of distribution to its customers (free and captive), where the fair value of the payment is calculated according to the system use tariff, which is defined by the regulatory agency.

• **Not billed:** Refers to the energy supplied and/or use of the distribution system which was not billed yet, corresponding to the period lapsed between the date of the last reading and the closing of financial statements. It is estimated and recognized as unbilled income, based on the actual amount of energy distributed during the month and the annual loss rate and current tariff.

• **Sectorial financial assets income:** It is recognized monthly as the difference between the costs belonging to Parcel "A" actually incurred in the result and those recognized in income from operations with electricity estimated at the current tariff by ANEEL.

• **Supply - Billed:** Refers to electric power supplied to other concessionaire, under contractual conditions. The amount of the payment is determined by the volume of energy delivered multiplied by the current tariff defined by the regulatory agency.

• **Short-term energy:** Income is recognized at fair value of consideration receivable at the time in which the excess of energy is traded in the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). Consideration corresponds to multiplication of sold energy volume by Difference Settlement Price - PLD.

• **Income from construction:** (iii) The recognition of construction income is directly associated with additions to Concession assets, without incorporating a profit margin into this construction activity in accordance with Technical Interpretation ICPC 01 (R1) - Concession Agreements. The establishment of the construction income results from the allocation of hours worked by the technical teams, the materials used, the measurement of the provision of third-party services and other directly allocated costs by means of input method in compliance with CPC 47. This income is recorded as counterparty to the cost of infrastructure construction for the same amount (Note 34).

• **Grants linked to granted service:** It is recognized when actually granting discounts on tariffs in the consumer units benefiting from government grants (Note 16.1) through the difference between the reference tariff for the respective consumer class and that actually applied to consumers benefiting from these grants.
• **Leases and rentals:** The lease income is measured at the fair value of the payment receivable and is recognized on monthly bases pursuant to the lease contracts.

Generation

• **Electricity supply:** Income is recognized based on the assured power and the tariffs specified in the supply agreements. The subsidiary may sell energy produced in two environments: (i) in Free Trade Market (ACL), where trading of electric power occurs through free negotiation of prices and conditions between the parties, with bilateral contracts; and (ii) in Regulated Contracting Environment (ACR), where there is trading of electric power to distribution agents, with energy price established by the Regulatory Agency through energy auctions.
• **Short-term energy:** Income is recognized at fair value of consideration receivable at the time in which excess of produced energy, after allocation of energy in MRE, is traded in the CCEE. Consideration corresponds to multiplication of sold energy volume by PLD.

Transmission

• **Income from construction of construction infrastructure**

Construction income is recognized as a performance obligation that is met by the construction of the transmission line and its associated assets. The recognition of income from construction is directly associated with the additions to the contractual asset, according to the expenditures incurred (input method). The establishment of the construction income results from the allocation of hours worked by the technical teams, the materials used, the measurement of the provision of third-party services and other directly allocated costs. This income is recorded as counterparty to the Concession Assets, plus the construction margin and PIS and COFINS.

Margins of performance obligation for construction and improvement to form this income are an accounting estimate and, as of December 31, 2020, it is from -23.72% to 47.25% on real construction cost in income.

This margin is estimated by transmission companies considering projected construction cost budget and possible efficiencies, considering regulatory deadline for construction work delivery. Possible income resulting from early end of Transmission Line is recognized in income for the year of effective early commercial operation authorized by ANEEL.
According to concept used by transmission companies, construction margin is a value creation component, represents present value of concession infrastructure construction service and, together with O&M margin and contract remuneration rate (implicit rate), contributes to zeroing present value of projected cash flow from investments and RAP receipts over the entire concession term.

• **Income from operation and maintenance (O&M)**

O&M income is recognized monthly, as of the date that the Company is authorized to operate, as a performance obligation which is met by the operation and maintenance of the transmission line. This income is calculated based on the sums of costs anticipated to comply with the concession agreement, plus a margin.
O&M performance obligation margins for the formation of this income is an accounting estimate and as of December 31, 2020 they are equivalent to 120% and 218%.
According to business model practiced by transmission companies, which work with markup range for pricing that should vary according to project profitability achieved in concession auction. This range is based on internal regulatory pricing studies, sectorial references for operation and maintenance, and previous experience with transmission projects. O&M income is adjusted monthly with RAP result actually allowed to be charged by the National System Operator (ONS).

• **Remuneration of concession assets**

The concession agreements have a significant financing component, since the period of receipt for the infrastructure construction is long term (30 years). Therefore, as required by CPC 47, the return on concession assets is calculated based on the average funding rate of the project from the formalization of the concession agreement with the Concession Grantor on the balance of Concession Assets.

As mentioned in Note 3.8.3, SEP Circular Letter 01/2020 states that contractual remuneration should be made at the asset's remaining implicit rate after definition of concession's construction and O&M margins. However, still according to guidelines, rate should be close to financing market standard.
Remuneration rate for Transmission companies' Concession Assets represents 11.09–13.65% p.a. for the entire Concession period and is based on internal studies and own business model. In this sense, according to transmission companies' judgment, residual rate must be between weighted average cost of capital and debt contracting rate, both nominal values and before taxes.

Any changes in weighted average cost of capital promoted by ANEEL in Tariff Review processes with corresponding impact on RAP will have their effects recognized in income for the year in which Tariff Review is approved by regulatory body.

Trading

Income is recognized based on bilateral agreements with market agents and duly registered with the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). Future commitment contracts are classified as Financial Instruments, recognized at fair value through profit or loss, pursuant to CPC 48 - Financial Instruments (Note 3.3.1).

Services

The recognition of income is directly related to the measurement of the provision of third-party services and other directly allocated costs by means of input method in compliance with CPC 47. Certain agreements have a significant financing component. These are recognized proportionately over the duration of the agreement using the funding rate that would be reflected in a separate transaction between the parties.

		Parent Company		Consolidated					
		R$		Number of consumers (*)		MWh (*)		R$	
	Note	2020	2019	2020	2019	2020	2019	2020	2019
Supply	33.1								
Residential				3.080.991	3.010.399	6.561.800	6.317.973	2.274.725	2.646.256
Industrial				23.641	24.049	1.405.439	1.718.512	534.788	770.349
Commercial				264.851	260.660	2.851.721	3.317.174	1.050.945	1.436.835
Rural				201.139	199.886	930.731	1.005.076	226.352	260.823
Government				20.773	20.432	465.326	591.732	175.474	251.935
Public lighting				4.544	4.458	698.191	727.863	141.731	168.969
Public service				3.190	3.169	455.110	465.004	153.689	182.933
Own consumption				384	374	12.421	13.507		
		-	-	3.599.513	3.523.427	13.380.739	14.156.841	4.557.704	5.718.100
Distribution system use tariff - Billed									
Captive consumers									
Residential								2.249.223	2.120.830
Industrial								363.875	423.410
Commercial								911.860	1.014.315
Rural								221.260	209.602
Government								132.197	164.758
Public lighting								138.823	145.131
Public service								96.798	94.169
Free consumers				1.296	1.060	10.992.097	11.389.437	1.813.494	1.688.600
		-	-	1.296	1.060	10.992.097	11.389.437	5.927.530	5.860.815
Not billed									
Supply								15.421	(49.247)
Distribution system use tariff								24.982	(39.948)
		-	-	-	-	-	-	40.403	(89.195)
Sectorial financial assets income	8								
CVA								285.533	(413.352)
Financial items - Extraordinary Tariff Review (RTE)								(64.287)	(71.014)
Financial items - Other								165.196	173.594
PIS/COFINS								104.980	(1.312.971)
		-	-	-	-	-	-	491.422	(1.623.743)
Supply - Billed	33.2				2	13.038.948	17.520.077	1.903.166	2.160.704
Short-term energy						2.501.405	2.364.275	1.123.764	1.130.110
Sales	33.3							2.791.787	2.707.478
Income from construction	4.8.3.3							1.920.393	2.894.678
Remuneration of concession assets	20							373.372	156.255
Restatement of indemnifiable financial assets	21							136.352	292.655
Income from operation and maintenance (O&M)								14.596	7.851
Chargeable Services								14.378	15.654
Grants linked to granted service								473.423	478.275
Refund for unavailability								19.816	(15.244)
Leases and rentals								131.371	129.927
Future commitments	15							425.955	
Other operating income		3.091	4.959					160.554	151.548
Gross operating income		3.091	4.959	3.600.809	3.524.489	39.913.189	45.430.630	20.505.986	19.975.868
(-) Operating income deductions									
Taxes on income									
ICMS (VAT taxes)								(2.521.686)	(2.758.944)
PIS/COFINS		(262)	(207)					(1.534.252)	(463.618)
ISS		(3)	(118)					(2.081)	(3.307)
		(265)	(325)	-	-	-	-	(4.058.019)	(3.225.869)
Consumer charges									
R&D	28							(98.399)	(103.747)
CDE	28							(1.247.087)	(1.259.418)
RGR	28							(4.247)	(4.365)
PROINFA – Free Consumers								(62.380)	(76.428)
Tariff flags (CCRBT)	28							(4.349)	(40.569)
Financial Compensation for the Use of Water Resources - CFURH	28							(31.834)	(22.667)
Other charges								(15.871)	(14.469)
		-	-	-	-	-	-	(1.464.167)	(1.521.663)
		(265)	(325)	-	-	-	-	(5.522.186)	(4.747.532)
Income		2.826	4.634	3.600.809	3.524.489	39.913.189	45.430.630	14.983.800	15.228.336

(*) Not audited by independent auditors.

33.1 Billed supply

When comparing these two years, we observe a reduction in supply mainly due to impacts of COVID-19 (Note 4.8), which kept tariff flag green for 10 months, in addition to having substantially influenced reduction in consumption of industrial and commercial categories in 2020.

33.2 Supply - Billed

Invoiced income balances associated to the supply group correspond to energy sale in MVE. Considering that under this operation's contract, volume of sold energy was lower in 2020, billed amount is lower than that of 2019.

33.3 Sales

Changes in the year is mainly due to EDP Varejista, resulting from migration involving most retail customers and from the subsidiary 's effort to encourage evolution of retail portfolio.

34 Operating expenditures

Operating expenditures are recognized and measured. (i) in conformity with accrual regime, presented net of respective PIS and COFINS credits, when applicable; (ii) based on the direct association of income; and (iii) when they do not result in future economic benefits.

As required in the Article 187 of the Law 6404/76, the Company and its subsidiaries present operating expenditures as per the statement of income per position, the expenditures are divided into costs and expenses according to the origin and position.

In the segregation between costs and expenses, the following criteria are considered: (i) Costs: comprise the expenditures directly related to the rendering of electrical energy service related to the concession and also expenditures related to the energy generation, such as the purchase of electrical energy for resale, transmission charges, amortization of infrastructure concession right, expenditures related to commercial service and concession operation and maintenance and expenditures with raw material to produce energy; and (ii) Operating expenses: these are expenditures related to the management of the Company and its subsidiaries representing many general activities attributable to business phases, such as administrative personnel, management remuneration, estimated loss with doubtful accounts, and judicial, regulatory and administrative provisions.
The breakdown of operating expenditures, according to their nature, as required by the CPC 26 (R1) is as follows:

		Parent Company					
		2020			2019		
		Operating expenses			Operating expenses		
	Note	General and administra-tive	Other	Total	General and administra-tive	Other	Total
Personnel, Administrators and Private pension entity	34.2	34.575		34.575	36.688		36.688
Material		404		404	295		295
Third-party services	34.3	35.727		35.727	33.845		33.845
Depreciation - Construction in service		4.661		4.661	4.445		4.445
Depreciation - Assets related to right to use		1.881		1.881	1.956		1.956
Amortization		10.402		10.402	10.961		10.961
Civil, tax and labor provisions			(3.294)	(3.294)		937	937
Leases and rentals	34.4	321	179	500	636		636
Gains and losses from deactivating and disposal of assets			5.704	5.704		2.417	2.417
Infrastructure construction costs							
Other		9.967		9.967	8.881	(14.527)	(5.646)
Total		97.938	2.589	100.527	97.707	(11.173)	86.534

		Consolidated							
		2020							
		Costs				Operating expenses			
	Note	Costs of electricity	Production	Operation	Rendered to third-parties	PECLD	General and administra-tive	Other	Total
Electricity purchased for resale	34.1	7.204.551							7.204.551
Electricity network utilization charges		1.121.009							1.121.009
Cost of consumed raw material			256.814						256.814
Cost recovery with GSF - Concession Rights	34.5	(388.859)							(388.859)
Future commitments	15	180.145							180.145
Personnel, Administrators and Private pension entity	34.2			328.487	3.984		190.759		523.230
Material				45.678	32.585		7.775		86.038
Third-party services	34.3			265.858	1.025		202.824		469.707
Depreciation - Construction in service				273.021			11.285		284.306
Depreciation - Assets related to right to use							78.049		78.049
Amortization				233.391			52.804		286.195
Estimated loss from allowance for doubtful accounts / Net losses						146.155			146.155
Civil, tax and labor provisions							168	45.085	45.253
Leases and rentals	34.4			3.858	1		1.308	(83)	5.084
Gains and losses from deactivating and disposal of assets								93.850	93.850
Infrastructure construction costs	20				1.772.682				1.772.682
Other	34.6	7.949		30.102	405		50.878	(3.054)	86.280
Total (*)		8.124.795	256.814	1.180.395	1.810.682	146.155	595.850	135.798	12.250.489

		Consolidated							
		2019							
		Costs				Operating expenses			
	Note	Costs of electricity	Production	Operation	Rendered to third-parties	PECLD	General and administra-tive	Other	Total
Electricity purchased for resale	34.1	6.926.419							6.926.419
Electricity network utilization charges		957.339							957.339
Cost of consumed raw material			590.560						590.560
Personnel, Administrators and Private pension entity	34.2			335.983	2.994		37.952		376.929
Material				42.510	6.690		14.496		63.696
Third-party services	34.3			260.913	10.119		201.344		472.376
Depreciation - Construction in service				276.955			50.940		327.895
Depreciation - Assets related to right to use				9.169			16.840		26.009
Amortization				212.420			55.519		267.939
Estimated loss from allowance for doubtful accounts / Net losses						113.000			113.000
Civil, tax and labor provisions								44.176	44.176
Leases and rentals				2.690	151		5.304		8.145
Gains and losses from deactivating and disposal of assets								93.448	93.448
Infrastructure construction costs	20			33.734	2.556.113				2.589.847
Other	34.6	5.187		46.153	451		40.871	(14.416)	78.246
Total		7.888.945	590.560	1.220.527	2.576.518	113.000	423.266	123.208	12.936.024

34.1 Electricity purchased for resale

	Note	Consolidated 2020	Consolidated 2019
Energy purchase and sale agreements by availability	34.1.1	1.267.750	1.480.200
Energy purchase and sale agreements by quantity	34.1.2	2.130.944	1.146.098
PROINFA		104.331	120.734
Energy purchase and sale agreements by quotas	34.1.3	840.386	911.353
Short-term energy	34.1.4	359.482	536.963
Energia de Itaipu Binacional	34.1.5	1.210.700	878.244
EER (Reserve Energy Charge)		78.694	39.087
System Service Charge (Encargo de Serviço do Sistema – ESS)		9.020	3.520
Energy trading agreements	34.1.6	1.978.872	2.549.967
Other		(4.654)	532
(-) Reimbursements CCEE/CONER		(51.771)	(59.046)
(-) PIS/COFINS Tax credits		(719.203)	(681.233)
		7.204.551	6.926.419

34.1.1 Energy purchase and sale agreements by availability

Changes in energy purchase through availability is due to energy scenario seasonality influenced by pandemic impacts on reduction of electricity demand in the National Interconnected System (SIN). In this case, contract costs are lower when compared to the same period of previous year under analysis.

34.1.2 Energy purchase and sale agreements by quantity

Changes in the year derives from increase in energy purchase in 2019 for the purpose of providing a reserve to avoid negative financial exposure in Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE) resulting from GSF effects, which was

34.1.3 Energy purchase and sale agreements by quotas

Reduction of energy purchase in quota contracts is mainly due to purchase of energy through contracts of the Physical Guarantee Quotas type, according to which energy is contracted in the ACR and hydrological risk and contracting of Itaipu is renegotiated. In this period, hydrological risk associated with plants was reduced.

34.1.4 Short-term energy

Changes in energy balances in the short term was influenced by COVID-19 crisis, when load fall coupled with favorable hydrological scenario significantly reduced short-term market price (PLD), thus reducing associated costs in comparison with the same period of previous year.

34.1.5 Energy of Itaipu Binacional

The change in the year is mainly due to the increase in the US dollar exchange rate in 2020 compared to 2019, averaging R$ 5.22 in the year 2020 and in the same period in 2019, an average of R$ 3.97 if the US dollar exchange rate.

34.1.6 Energy trading agreements

The change in the electricity trading contract is mainly due to operations between subsidiaries EDP Comercializadora and Porto do Pecém, owing to the reduction in the amount of energy traded (in MWh) and market prices.

34.2 Personnel and Administrators

	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Personnel				
Remuneration	10.916	14.564	234.343	231.180
Charges	4.021	5.240	81.932	78.439
Private pension plan - Current	452	874	13.680	15.272
Termination expenses	1.634	189	24.953	20.980
Profit sharing – PLR	2.709	3.296	45.007	43.373
Other benefits - Current	2.976	2.828	88.424	89.525
Other post-employment benefits – Actuarial deficit or surplus			3.967	2.959
Other post-employment benefits – Actuarial deficit or surplus - Past service cost (Note 27.2.2)				(137.173)
Other	86		(2.142)	1.483
	22.794	26.991	490.164	346.038
Administrators				
Fees and charges	9.823	7.879	29.799	26.989
Administrators' benefits	1.958	1.818	3.267	3.902
	11.781	9.697	33.066	30.891
	34.575	36.688	523.230	376.929

34.3 Third-party services

	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Consulting services	32.328	31.828	76.792	76.172
Commercial services		21	117.252	122.427
Maintenance services	1.381	1.053	118.009	117.972
Technical services			5.780	5.278
Cleaning and surveillance services	668	613	24.202	24.200
Environmental services	200	16	2.605	2.841
IT services	12.694	12.101	76.938	74.598
Condominium services	726	617	1.467	1.385
Publishing and advertisement services	6.021	8.165	13.006	19.901
Telecommunication services	260	680	8.954	9.004
Transportation services	1.329	4.157	8.814	16.134
People management services and own labor	342	454	3.395	3.887
Shared services	(26.493)	(29.416)	66	(34)
Cost of service rendered to third-parties			5.877	10.040
(-) PIS/COFINS credit			(19.867)	(35.961)
Other	6.271	3.556	26.417	24.532
	35.727	33.845	469.707	472.376

34.4 Leases and rentals

The value of the aforementioned leases and rentals in the Company in 2020 is R$ 500 (R$ 636 in 2019) and is R$ 5,084 (R$ 8,145 in 2019) in the consolidated in 2020, referring to leases that were not contemplated by the CPC 06 (R2) due to optional exemptions.

34.5 Cost recovery with GSF - Concession Rights

The amount of R$ 388,859 recognized in this caption refers to partial recovery of GSF costs earned by subsidiaries Enerpeixe, Lajeado and Energest, totaling estimated increase of 65.6 months, 13.4 months and 17.8 months, respectively, in their concession terms (Note 23.1.3.1) based on parameters regulated by ANEEL Resolution 895/2020.

34.6 Other

In compliance with the best market practices, pursuant to the Corporate Sustainability Index (ISE) of B3, we present the investment in training of the Company and its subsidiaries, which is divided into: education, culture, health, sanitation, sports. Of the total amount of R$ 86,280 in "Other" caption for 2020 (R$ 78,246 in 2019), R$ 19,173 (R$ 8,335 in 2019) refers mainly to donations related to COVID-19 (Note 4.8.2.1). Additionally, the Company and its subsidiaries also entered encouraged donations used as tax benefit in 2020 totaling R$ 12,420 (R$ 11,270 in 2019), presented net of amounts payable in VAT and income tax and social contribution.

35 Financial result

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Financial income					
Interest and inflation adjustment					
Income from financial investments and pledges		14.283	44.663	80.811	183.829
Electricity sold				189.695	161.263
Judicial deposits		189	2.307	10.539	15.752
Loan agreements	11	9.804	13.086	204	1.433
Interest and fines on taxes	9	3.080	7.660	76.012	480.359
Remuneration of preferred shares		4.557	4.781		2.082
Leases and rentals	16.7	514		2.150	
Free Energy	24.2			90.219	
Other interest and inflation adjustment			805	31	5.761
Swap and hedge operations				5.557	16.579
Gain from acquisition of investment			7.757		7.757
Changes in foreign currency		4.829	487	4.829	617
Adjustments to present value	7.3			2.474	2.679
(-) Compound interest	20			(22.614)	(63.723)
(-) Taxes on financial income		(30.769)	(34.479)	(49.109)	(60.989)
Other financial income		4	4	5.774	5.017
		6.491	47.071	396.572	758.416
Financial expenses					
Debt charges					
Loans and financing	26.2	(934)		(208.907)	(199.807)
Debentures	25.2	(62.020)	(64.009)	(456.163)	(489.165)
Changes in foreign currency				(6.892)	(18.693)
Swap and hedge operations				(22)	
Adjustments to present value				(4.918)	(4.763)
(-) Compound interest	20			267.328	182.021
Interest and inflation adjustment					
Energy purchased				(61)	(36)
Interest and fines on taxes	9	(532)	(941)	(9.155)	(22.317)
Sectorial financial assets/liabilities	8			(29.376)	(401.713)
Civil, tax and labor provisions	31.1.1	(2.033)	679	(71.036)	(48.849)
Use of Public Property	35.1			(90.780)	(39.267)
Generation Scaling Factor - GSF	35.1			(82.814)	(17.079)
Post-employment benefits	27.1.1 | 27.2.1			(68.816)	(66.721)
Leases and rentals	16.7		(962)	(6.088)	(14.167)
Free Energy	24.2				(6.912)
Other interest and inflation adjustment				(17.608)	(6.598)
Changes in foreign currency		(10.425)	(6.768)	(15.850)	(6.768)
Adjustments to present value				(905)	(732)
(-) Compound interest				74	689
Other financial expenses		(23.528)	(1.193)	(45.843)	(30.719)
		(99.472)	(73.194)	(847.832)	(1.191.596)
Total		(92.981)	(26.123)	(451.260)	(433.180)

35.1 Use of Public Property - UBP and Generation Scaling Factor - GSF

Changes in "Use of Public Property (UBP)" and "Generation Scaling Factor - GSF" captions refer to increase in IGP-M index of both items (Notes 23.1.2 and 23.1.3.1), which became an accumulated total of 23.14% in year ended December 31, 2020, while in year ended December 31, 2019, that was 7.30%.

36 Income tax and social contribution

Regarding the subsidiaries EDP Soluções and EDP Varejista the income and social contribution tax recorded in income are calculated based on the deemed profit method, where income and social contribution tax bases were computed considering tax rates of 8% and 12%, respectively, calculated on the amount of gross income in accordance with current legislation.

For the Company and other subsidiaries, current income tax is calculated based on taxable income, at the rates applicable according to the legislation in force - 15%, plus 10% on the taxable income that exceeds R$240 per annum and social contribution recorded in the result is calculated with a basis on taxable income, through the application of the rate of 9%. Both consider the offset of tax losses and negative basis of social contribution tax, limited to 30% of the taxable income (when applicable).

Income and social contribution tax expenses comprise current and deferred taxes, and they are recognized in the income statement unless they relate to items directly recognized in Shareholders' equity.

	Note	Parent Company		Consolidated	
		2020	2019	2020	2019
Income before income taxes		1.505.801	1.338.974	2.362.011	1.927.280
Rate		34%	34%	34%	34%
IRPJ and CSLL		(511.972)	(455.251)	(803.083)	(655.276)
Adjustments to reflect effective rate					
IRPJ and CSLL on permanent additions and exclusions					
Donations		(3.014)	(2.236)	(6.521)	(2.824)
Non-deductible losses		(29)		(83)	(41)
Equity accounting result		576.804	494.283	27.186	23.170
Interest on own capital		(53.136)	(34.783)	52.340	85.646
Other		(921)	(420)	(5.972)	(5.407)
Unrecognized income tax and social contribution - deferred		(5.492)	(2.711)	(16.929)	(8.918)
Adjustments from prior accounting years	36.1	(24)		18.329	46.571
Deemed profit adjustment				(5.125)	(2.464)
Tax incentives					
SUDAM / SUDENE				85.536	70.102
Other				6.231	4.616
IRPJ and CSLL expenses		2.216	(1.118)	(648.091)	(444.825)
Effective rate		-0,15%	0,08%	27,44%	23,08%

36.1 Adjustments from prior fiscal years

Of the amount of R$ 18,329 on December 31, 2020, R$ 7,159 refers to the tax benefit from Research and Development – R&D, referring to fiscal year 2019 of EDP São Paulo, R$ 6,354 refers to the adjustment of IRPJ/CSLL (corporate income tax / social contribution) referring to R&D in 2019, and R$ 2,700 refers to recalculations of the SUDENE Exploration Profit incentive at EDP Espírito Santo, for the years 2015 to 2018.

36.2 SUDAM and SUDENE

The subsidiaries EDP Espírito Santo, Energest and Porto do Pecém are included before Development of the Northeast Region (Superintendência do Desenvolvimento do Nordeste - SUDENE), attesting to the fulfillment of all the legal conditions and requirements stipulated for recognition of the right to the reduction of 75% of the rate of Income Tax and Non-Reimbursable Surcharges, calculated with a basis on the income from the exploration relating to the municipalities from the northern region of the state, which are from the area of activity of SUDENE, for a period of 10 years, filed at the Unit of the Brazilian Federal Revenue Service, with jurisdiction over the municipality of its head office.

Subsidiary Enerpeixe obtained Incorporation Report 23/17 from Superintendent of the Amazon Development - SUDAM, attesting to the fulfillment of all the legal conditions and requirements stipulated for recognition of the right to the reduction of 75% of the rate of Income Tax and Non-Reimbursable Surcharges, calculated with a basis on the income from the exploration also for a period of 10 years.

Below is a list of the years covered by these incentives:

	Period
Energest	2015–2024
EDP Espírito Santo	2018–2027
Enerpeixe	2017–2026
Porto do Pecém	2016–2025

These government grants are recognized in the income (loss) for the year. In compliance with the determinations of Administrative Ruling 2091-A of December 28, 2007 of the Ministry of National Integration, entity that regulates the benefit, the amount of unpaid income tax cannot be distributed to the partners or shareholders, having been transferred to the account of fiscal incentives in the profit reserve, which can only be used for compensation of loss or capital increase.

The abovementioned fiscal incentives are recorded in the Company's financial statements as required by CPC 07 (R1) Government Subsidies and Assistance.

37 Earnings per share

The basic earnings per share is calculated based on net income for the year attributable to the Company's shareholders and the weighted average value of common shares outstanding in the respective year. Diluted earnings per share is calculated by the same indicators, and the average of free-float shares adjusted by instruments potentially convertible into share, with diluting effect, in accordance with CPC 41 - Earnings per share.

The Company created the Share-Based Payment Plan, which grants future shares of the Company to its beneficiaries. Therefore, for calculating the diluted earnings per share the estimated amounts of these grants on the closing date of these financial statements were considered.

The calculation of "basic and diluted" earnings per share is presented below:

	Parent Company and Consolidated	
Basic earnings	2020	2019
Net income for the year attributable to shareholders	1.508.017	1.337.856
Weighted average of the number of common shares with controlling shareholders (thousand)	604.257	604.806
Basic earnings per share (reais/share)	2,49565	2,21204
Diluted earnings		
Net income for the year attributable to shareholders	1.508.017	1.337.856
Adjustment to net income for the year available to shares considering the potential increment of common shares as result of incentive and retention plans	(3.973)	(3.198)
Net income for the year attributable to shareholders - adjusted	1.504.044	1.334.658
Weighted average of the number of common shares with controlling shareholders (thousand)	604.257	604.806
Potential increment to common shares based on incentive and long-term retention plans	1.115	883
Weighted average of the adjusted number of common shares with controlling shareholders (thousand)	605.372	605.689
Diluted earnings per share (reais/share)	2,48450	2,20354

* The number of common shares does not include treasury shares.

38 Financial instruments and risk management

The Company and its subsidiaries maintain operations with financial instruments. The Management of these instruments is executed by means of operating strategies and internal controls aiming to ensure credit, liquidity, safety and profitability. The contracting of financial instruments with hedging objectives is performed by means of a periodic analysis of the exposure to the financial risks (foreign exchange, interest rate etc.), which is included in regular risk reports to the Management.

In compliance with the Financial Risk Management Policy of Grupo EDP - Energias do Brasil, and based on periodic analyses con-substantiated by the risk reports, specific strategies are defined for the mitigation of financial risks, which are approved by Management, for the effective operation of the strategy. The control policy involves the permanent monitoring of the conditions contracted versus the conditions in force in the market through operating systems integrated into the SAP platform. The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis. The results obtained from such operations are consistent with the policies and strategies defined by management.
Management of the risks associated with these operations is performed through the application of policies and strategies defined by Management and include the monitoring of levels of exposure of each market risk, forecasts of future cash flow and the establishment of exposure limits. This policy also determines that the updating of information in operating systems, as well as the confirmation and effective operation of transactions with the counterparties, shall be performed based on the appropriate segregation of duties.

38.1 Financial instruments

Financial instruments are defined as any agreement that creates a financial asset for the entity, and a financial liability or equity instrument for another entity.

These financial instruments are immediately recognized on the negotiation date, that is, when the obligation or right is formalized, and are initially recorded at fair value plus or less any directly attributable transaction costs.

Financial instruments are written off when the contract rights to cash flow expire, that is, when the end of the right or obligation to receive or deliver cash or membership certificate is certain. In this situation, Management, based on consistent information, records the settlement.

The recognition may be equity instrument due to cancellation, payment, receipt, transfer or when the debts expire.

38.1.1 Classification of financial instruments

Classification and measurement of financial assets and liabilities are as follows:

			Parent Company			
			Fair value		Book value	
	Note	Levels	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets						
Fair value through profit or loss						
At initial recognition or subsequently						
Cash and cash equivalents	5					
Interest earning bank deposits		Level 2	895.376	646.001	895.376	646.001
			895.376	646.001	895.376	646.001
Amortized cost						
Cash and cash equivalents	5					
Cash and banks		Level 2	11.828	2.478	11.828	2.478
Securities receivable	16.8	Level 2	27.557	25.815	27.557	25.815
Loans receivable	11	Level 2	502.074	225.788	502.074	225.788
Pledges	13	Level 2	264	264	264	264
Other receivables - Related parties	11	Level 2	25.771	27.485	25.771	27.485
			567.494	281.830	567.494	281.830
			1.462.870	927.831	1.462.870	927.831
Financial liabilities						
Amortized cost						
Suppliers	24	Level 2	24.792	13.970	24.792	13.970
Debentures	25	Level 2	477.408	534.166	442.530	494.537
Loan agreements			100.934		100.934	
Other accounts payable - Related Parties	11	Level 2	47.445	46.013	47.445	46.013
Leases and rentals	16.7	Level 2	1.294	4.965	1.214	4.965
			651.873	599.114	616.915	559.485

			Consolidated			
			Fair value		Book value	
	Note	Levels	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets						
Fair value through profit or loss						
At initial recognition or subsequently						
Cash and cash equivalents	5					
Interest earning bank deposits		Level 2	2.534.557	2.198.069	2.534.557	2.198.069
Indemnifiable financial asset	21	Level 3	3.486.960	3.000.631	3.486.960	3.000.631
Securities	6	Level 2	153.987	135.192	153.987	135.192
Future marketing commitments	15	Level 3	425.951		425.951	
Mandatory						
Other receivables – Derivatives		Level 2	(1.178)		(1.178)	
			6.600.277	5.333.892	6.600.277	5.333.892
Amortized cost						
Cash and cash equivalents						
Cash and banks	5	Level 2	201.302	440.541	201.302	440.541
Accounts receivable	7	Level 2	3.041.019	2.728.796	3.041.019	2.726.480
Income receivable		Level 2	3.429	4.475	3.429	4.475
Loans receivable	11	Level 2	4.518	26.186	4.518	26.186
Pledges	13	Level 2	23.494	146.517	23.494	146.517
Securities	6	Level 2	1.753	1.827	1.753	1.821
Sectorial financial assets	8	Level 2	545.484	359.409	545.484	359.409
Other receivables - Related parties	11	Level 2	11.085	16.771	11.085	16.771
			3.832.084	3.724.522	3.832.084	3.722.200
			10.432.361	9.058.414	10.432.361	9.056.092

			Consolidated			
			Fair value		Book value	
	Note	Levels	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial liabilities						
Fair value through profit or loss						
At initial recognition or subsequently						
Loans, financing and debt charges	26					
Derivatives		Level 2	582		582	
Future marketing commitments	15	Level 3	198.505		198.505	
			199.087	-	199.087	-
Amortized cost						
Suppliers	24	Level 2	2.251.446	2.104.901	2.251.446	2.104.901
Debentures	25	Level 2	5.537.935	6.626.127	5.216.201	6.187.721
Use of Public Property	29	Level 2	393.877	285.703	442.835	324.091
Refund for unavailability	30	Level 2	5.307	62.622	5.307	62.622
Loans, financing and debt charges	26					
Domestic currency		Level 2	3.485.143	2.244.557	3.517.214	2.277.117
Foreign currency			306.892		301.477	
Loan agreements		Level 2				
Other accounts payable - Related Parties	11	Level 2	48.723	60.846	48.723	60.846
Leases and rentals	16.7	Level 2	85.803	96.565	70.798	96.565
Environmental permits		Level 2	120.409	110.583	121.292	111.581
Sectorial financial liabilities	8	Level 2	2.397.401	2.099.003	2.397.401	2.099.003
			14.632.936	13.690.907	14.372.694	13.324.447
			14.832.023	13.690.907	14.571.781	13.324.447

38.1.1.1 Financial assets

In the analysis for classification of financial assets, the Company and its subsidiaries evaluate the following aspects: (i) business model for management of financial assets; and (ii) characteristics of financial asset's contractual cash flow.

After initial recognition at fair value, financial assets are classified and measured as follows:

• **Amortized cost**

If the Company and subsidiaries, according to its business model, have the intention of maintaining the financial asset to receive contract cash flows and if they comprise receipts referring to principal and interest on original value.

• **Fair value through other comprehensive income (FVTOCI)**

If the Company and its subsidiaries, according to its business model, have the intention of receiving contract cash flows, both for maintenance and trading of financial assets, and if they comprise receipts referring to principal and interest on original value.

• **Fair value through profit or loss (FVTPL)**

If the Company and its Subsidiaries have a financial asset that does not classify as amortized cost or FVTOCI or when the Company intends to eliminate or significantly reduce measurement or recognition inconsistency that, otherwise, could result from measurement of assets or liabilities or from recognition of gains and losses from these assets and liabilities at different bases.

38.1.1.2 Financial liabilities

After initial recognition at fair value, in general, financial liabilities are classified and measured as amortized cost.

Financial liabilities will only be classified as FVTPL if they are: (i) derivatives; (ii) financial liabilities deriving from transferred financial assets that did not qualify for de-recognition; (iii) contracts for financial guarantee; (iv) commitments for granting loan at interest rate below that practiced in the market; and (v) contingent consideration recognized by acquirer upon business combination.

The Company and its subsidiaries may also classify a financial liability as FVTPL when: (i) intends to eliminate or significantly reduce measurement or recognition inconsistency that, otherwise, could result from measurement of assets or liabilities or from recognition of gains and losses from these assets and liabilities at different bases; or (ii) performance of a financial liability is evaluated based on its fair value in accordance with documented strategy for risk or investment management internally supplied by the Management.

38.1.2 Fair value

Fair value is the price received upon the sale of an asset or which would be paid by transfer of a liability of a non-forced transaction between market participants at the measurement date.

To determine the fair value, the Company and its subsidiaries project financial instruments' cash flow until the end of operations, considering contract standards, including post-fixed rates, and using the future (interbank investment average rate) average DI disclosed by B3 as the discount rate, except when another rate is indicated in the description of assumptions for the calculation of the fair value, and also considering the own credit risk of the Company, subsidiaries and Counterparties, according to CPC 46. This procedure may result in a book value different from its fair value, mainly because instruments present long settlement periods and costs different from interest rates currently used for similar contracts.

In case of Loans and financing (Note 26), in accordance with CPC 12, technique of adjustment to present value is not applicable to contracts with BNDES, as these contracts have its own characteristics.

The operations with financial instruments of the Company and subsidiaries that present a book balance equivalent to the fair value are due to the fact that such instruments are substantially similar to those that would have been obtained had they been traded in the market.

Considering that the market rate (or opportunity cost of capital) is defined by external agents, taking into account the risk premium compatible with activities in the industry, and lacking other alternatives or different market hypotheses and/or estimate methodologies with respect to company business and special features of the industry, debentures, loans and financing and use of public property, lease and rentals and environmental permits are different from its book value.

The additional information on the assumptions used for determining the fair values of financial instruments, different from book value, is disclosed below, taking into account the timing and the weighting of each financial instrument:

(i) Debentures, loans and financing: are measured using the pricing model individually applied for each transaction, taking into account future payment flows, based on contractual conditions and discounts to present value at rates obtained through market interest rate curves. Thus, a security's market value corresponds to its value at maturity (redeemable amount) brought to present value by the discount factor, including credit risk; and

(ii) Use of Public Property: refers to a financial instrument stated at amortized cost with restatement by the general market price index (IGP-M) incurred through the balance sheet date. Balance takes into consideration future payment flows based on contract conditions, discounted to present value at the rate corresponding to the subsidiaries' current average cost of capital.

(iii) Leases and rentals: is the contracts, or part of the contracts, which transfers the right to use an underlying asset for a period of time in exchange for consideration, pursuant to CPC 06 (R2). Balance takes into consideration future payment flows based on contract conditions, discounted to present value at the rate corresponding to the financing cost upon contracting leased assets. and

(iv) Environmental permits: it is granted by the environmental agency to authorize the operation or decommissioning of the enterprise or activity, with the establishment of conditions and authorization for the execution of plans, programs and projects for prevention, mitigation, recovery, restoration, and offsetting of environmental impacts. Balance takes into consideration future payment flows based on contract conditions, discounted to present value at the rate corresponding to the current average cost of capital of Grupo EDP - Energias do Brasil.

38.1.2.1 Measurement at fair value

The classification of financial instruments based on the fair value hierarchy requires consistent information, adjusted for the external environment of the Company and subsidiaries. The instruments' measurement at fair value requirements of the Company are as follow:

(a) Level 1- prices in active markets for identical assets and liabilities;

(b) Level 2 - prices differ from asset and liability prices negotiated in active markets included in Level 1, directly or indirectly, and

(c) Level 3 - for assets and liabilities that are not based on market variables. They are generally obtained internally or from sources not considered as deriving from the market.

The methodology used to classify the financial instruments at fair value through profit or loss was based on searches for similar transactions in the market. Comparison criteria were derived considering the terms, amounts, grace period, indices and active markets. The simpler and easier the access to comparative information, the more active is the market, and the more restricted the information, the more restricted is the market to measure the instrument.

During 2020, there was the inclusion of Level 3 of Financial Instruments, related to Consumers and Concessionaires for the future commitment Contract (Note 15), resulting from the change in the business model adopted by Management of the subsidiary EDP Comercializadora (Note 3.3.1) whereby, in addition to operating as a vehicle for extending the physical guarantee of generators, the subsidiary also becomes an operator aiming at generating value in the financial intermediation of energy purchase and sale.

38.1.3 Derivative financial instruments

A derivative financial instrument may be identified provided that: (i) its value is influenced by fluctuation of financial instrument rate or price; (ii) does not require initial investment or investment is much lower that it would be in similar contracts; and (ii) they will always be settled in a future date. Only if all those characteristics are met can a financial instrument be classified as a derivative.

Derivative financial instruments are recognized at their fair values, with gains and losses resulting from this revaluation being recorded in income for the year, except when derivative is classified as cash flow hedge, and gains and losses recorded in Other Comprehensive Income in shareholders' equity.

Operations with derivatives at the subsidiary EDP Comercializadora refer to energy purchase and sale operations, being traded on an active market and meeting the definition of financial instruments, due to the fact that they are settled in energy, and readily convertible into a financial amount. Such contracts are accounted for as derivatives under CPC 48, and are recognized in the financial statements at fair value, on the date on which the derivative is entered into, and are revalued at fair value on the balance sheet date. The subsidiary did not carry out speculative transactions in derivative instruments during the year.

On December 31, 2020, derivative operations in Consolidated refer to the subsidiaries Porto do Pecém, EDP Transmissão SP-MG, and EDP GRID. Below table containing key information about the these derivatives:

					Consolidated				
					12/31/2020			2020	2019
Description	**Subsidiary**	**Counterparty**	**Effectiveness**	**Position**	**Notional USD**	**Notional - R$**	**Fair value**	**Effects on income (loss)**	
Swap									
Assets	Porto do Pecém	General cash	12/09/2016–12/06/2019	Libor 6M + 2.50 % p.a.					26.470
Liabilities									(12.351)
					-	-	-	-	14.119
Assets	EDP Transmissão SP-MG	Scotiabank Brasil S/A Banco	12/23/2020–12/10/2021	USD + 0.95% p.a.	59.055		306.104		
Liabilities						300.000	(301.477)	5.557	
					59.055	300.000	4.627	5.557	-
Assets	EDP São Paulo	Citibank N.A.	09/04/2015–09/04/2019	Libor 3M + 1.84% p.a.					4.243
Liabilities									(1.783)
					-	-	-	-	2.460
NDFs									
Call	Porto do Pecém	Citibank	04/06/2020–10/01/2020	BRL/USD 5.2902					
Sale								82	
					-	-	-	(82)	-
Call	Porto do Pecém	Itaú	04/06/2020–11/03/2020	BRL/USD 5.2927					
Sale								325	
					-	-	-	(325)	-
Call	Porto do Pecém	Citibank	04/06/2020–12/01/2020	BRL/USD 5.2940					
Sale								274	
					-	-	-	(274)	-
Call	Porto do Pecém	Citibank	04/06/2020–01/04/2021	BRL/USD 5.3076	4.902	25.470	794		
Sale					(4.902)	(25.470)	(794)	-	-
Call	Porto do Pecém	Citibank	04/06/2020–02/01/2021	BRL/USD 5.3289	1.009	5.245	141		
Sale					(1.009)	(5.245)	(141)	-	-
Call	Porto do Pecém	Citibank	04/06/2020–06/01/2020	BRL/USD 5.2632					
Sale								167	
					-	-	-	(167)	-
Call	Porto do Pecém	Citibank	11/10/2020–01/22/2021	BRL/USD 5.3747	3.100	16.109	(582)		
Sale									
					3.100	16.109	(582)	-	-
Call	EDP GRID	Citibank	10/19/2020–05/31/2021	BRL/USD 5.6221	1.366	7.097	(573)		
Sale									
					1.366	7.097	(573)	-	-
Call	EDP GRID	Citibank	10/19/2020–07/30/2021	BRL/USD 5.6444	3.097	16.094	(1.313)		
Sale									
					3.097	16.094	(1.313)	-	-
Call	EDP GRID	Safra	11/16/2020–07/30/2021	BRL/USD 5.4940	298	1.549	(82)		
Sale									
					298	1.549	(82)	-	-
Call	EDP GRID	Safra	11/16/2020–06/30/2021	BRL/USD 5.4820	60	310	(16)		
Sale									
					60	310	(16)	-	-
Options									
Call	EDP GRID	Safra	10/01/2020–11/18/2020	BRL/USD 5.6450					
Sale							(129)		
					-	-	129	-	-
Call	EDP GRID	Safra	10/01/2020–11/18/2020	BRL/USD 5.6450					
Sale								(22)	
					-	-	-	22	-
Total							1.255	4.731	16.579

The impacts of gains and losses in the years ended December 31, 2020 and 2019 were as follows:

	Consolidated		
	Income (loss)		Shareholders ' equity
	2020	2019	12/31/2020
Derivatives intended for protection			
Foreign exchange risks	(870)	29.349	(1.760)
Interest and currency rate risks	5.557	(12.770)	
Total	4.687	16.579	(1.760)

38.1.3.1 Swap contracts - EDP Transmissão SP-MG

As at December 23, 2020, the subsidiary contracted derivative financial instrument classified as swap, recorded at fair value for the purpose of hedging against exchange-rate change and CDI interest rate related to financing contracted from Banco Scotiabank.

38.1.3.2 Non-Deliverable Forward (NDF) - Porto do Pecém

NDF contracts guarantee unto the buyer/seller or holder thereof the right to sell/receive a particular currency/stock/index/commodity at a price determined on a defined maturity date.

On April 6, 2020, Porto de Pecém contracted derivative transactions in the amount of US$ 10.3 million to mitigate the risk of pass-through mismatching between variable income and the cost of acquiring coal stock. Among other factors, the variable income is measured by CVU, which has as variables the calculation of coal in dollar (imported mineral coal) and the USD/BRL exchange rate.

Company's strategy was to reduce the exposure of exchange variable, once that, according to the formula applied by the regulator, the appreciation of Reais against Dollars decreases the CVU value, and, accordingly, decreases the amount of Variable Income. The terms and amounts were aligned with the plant's dispatch forecast.

On November 11, 2020, Porto do Pecém contracted a derivative operation in the amount of USD 3.1 million with the aim of mitigating the risk of foreign exchange variation in the future payment of the plant's insurance, which is made in foreign currency (USD).

38.1.4 Hedge accounting

In 2020, EDP GRID started qualifying certain financial instruments for hedge accounting. The hedge derivatives are recorded at fair value and gains or losses are recognized according to the hedge accounting model adapted, and for such the following requirements were met:

(i) there is formal documentation of the hedge on the start date of the relationship;

(ii) the hedge is expected to be highly effective;

(iii) the hedge effectiveness can be measured reliably;

(iv) the hedge is evaluated on a continual basis and effectively determined as being highly effective throughout the useful life of the hedge accounting structure period; and

(v) in relation to the hedge of an anticipated transaction, this must be highly probable and must present exposure to cash flow variations that could ultimately affect the statement of income.

- **Cash flow hedge**

The effective portion of fair value variations of derivatives designated and qualified as cash flow hedges is recognized in Shareholders' equity, as Other comprehensive income. The gains or losses of the ineffective portion of the hedge relation are recognized by counter entry in statement of income for the year, at the time the ineffectiveness occurs.

Amounts accumulated in shareholders' equity are recorded in the statement of income in the years in which the item affects results; however, when the covered transaction results in the recognition of a non-financial asset or liability, gains and losses recorded in shareholders' equity are recognized as a contra entry to the initial cost of the asset or liability.

When a hedge instrument expires or is sold, or when the hedge relation fails to fulfill the criteria for hedge accounting, any accumulated gain or loss recorded in Shareholders' equity on the date is kept in Shareholders' equity until the foreseen transaction is recognized in net income. When the transaction is not expected to take place, the accumulated gains or losses recorded by counter entry of shareholders' equity are immediately recognized in the statement of income.

- **Effectiveness**

For a hedge relation to be classified as such, its effectiveness should be demonstrated. Hence, EDP GRID carries out prospective tests on the start date of the hedge relation and on each balance sheet date and retroactively in order to demonstrate its effectiveness and that alterations in the fair value of the hedged item are offset by alterations in the fair value of the hedge instrument, with respect to the hedged risk. Any ineffectiveness is recognized in the statement of income as soon as it occurs.

38.1.4.1 Hedge accounting and NDF contracts

EDP GRID uses financial instruments of hedge of the interest rate, and exchange-rate change. The derivatives that do not qualify as hedge derivatives are recorded as trading derivatives.

In 2020, EDP GRID adopted a hedge accounting methodology, recorded at its fair value, to protect the risks of changes in exchange rate in the acquisition of goods in foreign currency. As it refers to hedge accounting classified as cash flow, alterations generated by MTM (mark-to-market) variation, net of interest for which a provision was recorded, are recognized directly in shareholders' equity under Valuation Adjustment to Equity account, when considered effective. The difference between the fair value and the fixed rate corresponds to the ineffective portion, and it is consequently recognized in income (loss).

38.2 Risk management

Since 2006, Grupo EDP – Energias do Brasil has developed processes for monitoring and evaluating corporate risks. Starting in 2010, new methods have been created, as well as a new risk dictionary, consolidated in 2011 as a Corporate Risk Standard, which has kept up-to-date ever since.

The Grupo EDP – Energias do Brasil, following best governance practices and aligned with the "three lines of defense" model, segregated the Compliance and Internal Audit duties into two different divisions. Additionally, and in order to reinforce the Risk Management model, a Risk and Safety Management department was created.

Accordingly, the EDP - Energias do Brasil Group has a Risks and Crisis department, in which it carries out the integrated management of risks, opportunities and crises, aimed at ensuring that the various risks inherent to each of the areas are managed by those responsible and periodically reported to the Executive Board, so that the necessary measures can be taken.

Risk Management is defined through a Business Risk Policy, publicly available to the market, and the guidelines for its methodology are published in the Corporate Risk Standard. Still in line with best practices, this process is based on recognized methodologies, such as COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM, and standard ISO 31.000, which sets out guidelines for managing risks faced by organizations through a language and approach common to any types of risks.

In the EDP - Energias do Brasil Group, risks are prioritized according to strategic parameters and defined jointly through the Audit Committee, which is represented by the Executive Boards of the Business Units, in such a way as to ensure the governance of the process and to act as a link between the Company Management and the operation.

The Grupo EDP - Energias do Brasil once again had its good practices recognized, by maintaining its Certification in the ISO 37.001 Standard, which aims to support organizations to fight bribery based on a culture of integrity, transparency and compliance with laws in force, with the help of requirements, policies, procedures and suitable controls to deal with the respective risks. The result of maintaining this certification reinforces that the controls adopted by the Grupo EDP - Energias do Brasil are appropriate and compliant with the Anti-Bribery Management System in place.

38.2.1 Market risk

The market risk represents the possibility of losses due to the fluctuations of variables that affect market prices and rates. These fluctuations impact virtually all segments, thus, representing financial risks.

Debentures and Loans and financing raised by the Company and its subsidiaries, presented in notes 25 and 26 have contract rules for financial liabilities substantially linked to these exposures. On December 31, 2020, the Company and its subsidiaries are subject to market risks associated to CDI, TJLP and IPCA. We should consider that the Company and its subsidiaries are exposed to Selic rate and inflation fluctuations, which may lead to a higher cost in these operations.

One of the goals of the Financial risk management policy of Grupo EDP - Energias do Brasil is to hedge assets and liabilities, minimizing exposure to market risks, mainly in connection with interest rate, price indexes and currency fluctuations.

The CDI (Certificate of Interbank Deposit), IPCA (Amplified Consumer Price Index) and TJLP (Long-term Interest Rate) debt indices reflect the effects of inflation either directly or indirectly. On the other hand, the indices that adjust the income of the subsidiaries are also related to changes in inflation (IGP-M and IPCA). Therefore, the changes in debts incurred with the above indices tend to be protected by the changes in income.

Subsidiaries EDP Transmissão MG-SP and Porto do Pecém are not exposed to exchange-rate change (US Dollar) and interest (CDI) linked to debts in foreign currency, however, have swap and NDF derivatives used as economic hedging to control all exposures to exchange-rate change and interest for these liabilities.

EDP São Paulo and EDP Espírito Santo are exposed to the risk of currency exchange rate pegged to the US Dollar, through the payments of energy purchased from Itaipu. However, changes in current exchange rate are transferred to the consumer in full in the tariff through the CVA mechanism.

Even with the depreciation of Brazilian Real before Dollar, raising and maintenance of loans linked to Dollar are considered as favorable, given interest rates offered in the foreign market are lower to the rates of domestic market. In addition, the exchange rate risk in foreign currency transactions is considered. In an economy where exchange rate fluctuation is very high, this exposure is a relevant factor to analyze the possibility of a transaction.

The subsidiary EDP Comercializadora has market risks linked to Future Commitment contracts (Note 3.3.1) due to its bilateral energy purchase and sale agreements. These contracts generated gain and loss from the energy surplus, which was recognized at fair value. The realization of the fair value, through the physical settlement of the energy sale and purchase contracts was recognized in the Result (Notes 33 and 34). The result of future commitment contracts vary substantially, since the marks of these contracts are made considering the current base-date, by means of the forward curve, used for valuating the mark-to-market of its portfolio, presented by Dcide (a sector company that specializes in calculating future energy price curves), against the Settlement Price of Differences (PLD) calculated by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE). The subsidiary's Management has an Energy Risk Standard as a risk mitigator, the methodology of which considers the limits for the purchase and sale of energy, linked to the characteristics of liquidity and volatility on the unregulated energy market, whereby parameters are established to control exposure of the trader's energy purchase and sale portfolio, the projections of future prices, the With the COVID-19 pandemic (Note 4.8), the Company's Management assessed its main exposures and concluded that the significant risks are controlled for the year, based on the aforementioned reasons.

38.2.1.1 Sensitivity analysis

In compliance with CVM Instruction 475/08, the Company and its subsidiaries conduct the sensitivity analysis of their financial instruments, including derivatives.

This sensitivity analysis is intended to measure the impact of changes in market variables on each financial instrument. However, settling the transactions involving such estimates may result in sums different from those estimated, owing to the subjectivity contained in the procedure used to prepare these analyses. Information in the chart demonstrates the impact of each risk change in the results of the Company and its subsidiaries.

In the chart below, all financial instruments mentioned are presented in Note 38.1 which are exposed to indices, with fluctuations in interest rates and other indices up to the maturity of the transactions. The probable scenario adopted by the Company was based mainly on macroeconomic assumptions obtained from the Focus report of the Brazilian Central Bank, Scenarios II and III consider a risk increase of 25% and 50%, respectively, and Scenarios IV and V consider a risk reduction of 25% and 50%, respectively.

			Parent Company						
			Aging - Probable scenario		Scenario (I)	Scenario (II)	Scenario (III)	Scenario (IV)	Scenario (V)
Operation	**Risk**	**Balance of exposure**	**Up to 1 year**	**2–5 years**	**Probable**	**Increased risk by 25%**	**Increased risk by 50%**	**Decreased risk by 25%**	**Decreased risk by 50%**
Interest earning bank deposit - CDB	CDI	895.376	13.704		13.704	3.419	6.835	(3.422)	(6.846)
Pledges and restricted deposits	CDI	264	31	87	118	31	62	(30)	(60)
Loans receivable - Loan	CDI	502.074	17.774	36.208	53.982	14.261	28.838	(13.949)	(27.593)
Financial instruments – assets	**CDI**	1.397.714	31.509	36.295	67.804	17.711	35.735	(17.401)	(34.499)
Loans and financing - Loan	CDI	(100.934)	(4.226)	(11.326)	(15.552)	(4.124)	(8.345)	4.028	7.962
Financial instruments - liabilities	**CDI**	(100.934)	(4.226)	(11.326)	(15.552)	(4.124)	(8.345)	4.028	7.962
		1.296.780	27.283	24.969	52.252	13.587	27.390	(13.373)	(26.537)
Debentures	IPCA	(444.021)	(42.024)	(15.119)	(57.143)	(5.008)	(10.090)	4.936	9.801
Financial instruments - liabilities	IPCA	(444.021)	(42.024)	(15.119)	(57.143)	(5.008)	(10.090)	4.936	9.801

			Consolidated							
			Aging - Probable scenario			Scenario (I)	Scenario (II)	Scenario (III)	Scenario (IV)	Scenario (V)
Operation	**Risk**	**Balance of exposure**	**Up to 1 year**	**2–5 years**	**>5 years**	**Probable**	**Increased risk by 25%**	**Increased risk by 50%**	**Decreased risk by 25%**	**Decreased risk by 50%**
Interest earning bank deposit - CDB	CDI	2.534.300	45.772			45.772	13.426	28.106	(12.443)	(24.115)
Investment Funds	CDI	257	4			4		2		(2)
Pledges and restricted deposits	CDI	23.335	555	1.296	4.836	6.687	2.771	6.203	(2.236)	(4.042)
Securities	CDI	155.740	3.418			3.418	855	1.710	(855)	(1.709)
Loans receivable - Loan	CDI	184.967					1		1	
Financial instruments – assets	**CDI**	2.898.599	49.749	1.296	4.836	55.881	17.053	36.021	(15.533)	(29.868)
Debentures	CDI	(1.997.906)	(40.177)	(91.818)		(131.995)	(31.214)	(62.381)	31.565	63.181
Loans and financing - CCB	CDI	(400.473)	(6.593)	(1.901)		(8.494)	(2.725)	(5.564)	2.969	5.823
Loans and financing - NP	CDI	(1.240.240)	(30.227)	(40.165)		(70.392)	(11.908)	(27.553)	18.336	32.944
Financial instruments - liabilities	**CDI**	(3.638.619)	(76.997)	(133.884)	-	(210.881)	(45.847)	(95.498)	52.870	101.948
		(740.020)	(27.248)	(132.588)	4.836	(155.000)	(28.794)	(59.477)	37.337	72.080
Loans and financing - BNDES	TJLP	(887.486)	(57.151)	(111.891)	(1.179)	(170.221)	(26.333)	(52.382)	26.623	53.544
Financial instruments - liabilities	**TJLP**	(887.486)	(57.151)	(111.891)	(1.179)	(170.221)	(26.333)	(52.382)	26.623	53.544
Future commitments	PLD	425.951	306.449	317.966		624.415	1.406.458	2.355.267	967.909	1.963.012
Financial instruments – assets	**PLD**	425.951	306.449	317.966	-	624.415	1.406.458	2.355.267	967.909	1.963.012
Future commitments	PLD	(198.505)	(243.745)	(153.213)		(396.958)	(1.209.487)	(2.189.574)	(709.584)	(1.673.810)
Financial instruments - liabilities	**PLD**	(198.505)	(243.745)	(153.213)	-	(396.958)	(1.209.487)	(2.189.574)	(709.584)	(1.673.810)
		227.446	62.704	164.753		227.457	196.971	165.693	258.325	289.202

			Consolidated							
			Aging - Probable scenario			Scenario (I)	Scenario (II)	Scenario (III)	Scenario (IV)	Scenario (V)
Operation	**Risk**	**Balance of exposure**	**Up to 1 year**	**2–5 years**	**>5 years**	**Probable**	**Increased risk by 25%**	**Increased risk by 50%**	**Decreased risk by 25%**	**Decreased risk by 50%**
Scotiabank	USD									
Principal	USD	(306.104)	(286.098)			(286.098)	(286.098)	(71.524)	(143.049)	71.524
Financial instruments - liabilities	**Dollar**	(306.104)	(286.098)	-	-	(286.098)	(286.098)	(71.524)	(143.049)	71.524
Swap - Short position - Scotiabank	USD	(4.627)	(10.474)			(10.474)	(10.474)	(1.948)	(3.896)	1.949
Swap - Long position - Scotiabank	USD	306.104	286.098			286.098	286.098	71.524	143.049	(71.524)
Derivative financial instruments	**Dollar**	301.477	275.624	-	-	275.624	275.624	69.576	139.153	(69.575)
		(4.627)	(10.474)	-	-	(10.474)	(10.474)	(1.948)	(3.896)	1.949
Debentures	IPCA	(3.311.964)	(418.447)	(901.510)	(921.001)	(2.240.958)	(349.945)	(739.550)	315.291	600.229
Loans and financing - BNDES	IPCA	(640.928)	(74.389)	(129.903)	(190.367)	(394.659)	(57.053)	(113.850)	57.325	114.940
Financial instruments - liabilities	**IPCA**	(3.952.892)	(492.836)	(1.031.413)	(1.111.368)	(2.635.617)	(406.998)	(853.400)	372.616	715.169

The futures curves of the financial indicators CDI (Interbank deposit certificate), TJLP (Long-term interest rate) and National Extended Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo - IPCA) are as projected by the market and are aligned with the expectations of the Management of the Company and its subsidiaries. The indicators had their ranges as shown below: CDI 1.8–6.0% p.a.; TJLP 4.2–5.2% p.a.; and IPCA 3.5–22.2% p.a.

The PLD shows the sensitivity to possible changes at the 25% and 50% level, indicating the possible impact on EDP Comercializadora's financial situation through the increase in the forward curve, represented by Dcide, to assess the market value of its portfolio, considering the PLD calculated by the Chamber of Commercialization of Electric Energy (Câmara de Comercialização de Energia Elétrica - CCEE), on the portion of the future electricity purchase and sale agreements affected.

38.2.2 Liquidity risk

Liquidity risk relates to the capacity to settle its liabilities of the Company and its subsidiaries. In order to determine the financial capacity to meet the commitments assumed, the maturities of funds raised and other liabilities are also disclosed. More detailed information on debentures and loans raised by the Company and its subsidiaries are presented in notes 25 and 26.

The management of the Company and its subsidiaries uses only credit lines that allow operating leverage. This premise is reaffirmed by the characteristics of the funds effectively raised.

The most expressive financial assets of the Company and its subsidiaries are presented in captions: (i) Cash and cash equivalents (Note 5) - the Company and its subsidiaries have in cash an immediately available amount and cash equivalents, which are interbank funds applied promptly convertible into known cash amounts; (ii) Securities (Note 6) refer to investment in investment fund, with daily liquidity and variable yield, with its portfolio of assets linked to Treasury Bills – LFT, and which have extremely low credit risk and short-term maturity; (iii) Accounts receivable (Note 7), balances comprise the estimated flow of receivables; (iv) Indemnifiable financial assets (Note 21) whose balance presented in distribution subsidiaries corresponds to the amount receivable from the Concession Grantor at the end of the concession and it is measured at the new adjustment value; and (v) Financial assets per industry (Note 8) are homologated by the Concession Grantor and received through tariff in subsequent tariff adjustments or reviews.

The liquidity risks attributed to Debenture and loans and financing accounts refer to future interest, are consequently not accounted for, and are shown in note 39.1.

The Company and its subsidiaries also manage the liquidity risk by continuously monitoring expected and real cash flows, as well as the maturity analysis of its financial liabilities. The table below outlines the contractual maturities for financial liabilities recorded on December 31, 2020, including principal and interest, assuming the earliest date on which the Company and its subsidiaries expect to settle their obligations.

	Parent Company					
	12/31/2020					12/31/2019
	Up to 1 month	**01–03 months**	**03–12 months**	**1–5 years**	**Total**	**Total**
Financial liabilities						
Suppliers	24.887	(78)	(17)		24.792	13.970
Other accounts payable - Related Parties			44.591	2.854	47.445	46.013
Debentures		5.545	232.878	204.107	442.530	494.537
Loans and financing				100.934	100.934	-
Leases and rentals	140	277	602	195	1.214	4.965
	25.027	5.744	278.054	308.090	616.915	559.485

	Consolidated						
	12/31/2020						12/31/2019
	Up to 1 month	**01–03 months**	**03–12 months**	**1–5 years**	**>05 years**	**Total**	**Total**
Financial liabilities							
Suppliers	1.464.506	189.812	597.128			2.251.446	2.104.901
Other accounts payable - Related Parties			46.440	2.283		48.723	60.846
Debentures		226.359	1.034.391	3.284.518	670.933	5.216.201	6.187.721
Loans, financing and debt charges	17.248	631.127	1.409.867	1.402.976	362.100	3.823.318	2.277.117
Derivatives	582		(4.627)			(4.045)	-
Use of Public Property	2.947	6.069	26.593	156.464	250.762	442.835	324.091
Refund for unavailability			5.307			5.307	62.622
Leases and rentals	3.059	5.342	22.220	18.234	21.943	70.798	96.565
Environmental permits	6.795	39.689	42.886	30.228	1.694	121.292	111.581
Future commitment	25.081	(159.339)	19.046	313.717		198.505	-
Sectorial financial liabilities			626.801	1.770.600		2.397.401	2.099.003
	1.520.218	939.059	3.826.052	6.979.020	1.307.432	14.571.781	13.324.447

38.2.2.1 Overcontracting risk

As provided in the electric sector's regulation, especially in Decree 5163/04, if the contracted energy is within the limit of up to 5% above the total demand of the distributor, full transfer to the cost incurred with the purchase of energy and the resulting settlement of spot market price (PLD). However, when the distributor exceeds such limit, this having occurred voluntarily, it is exposed to the change between the purchase and selling price of the surplus amount in the short-term market.

The strategy for contracting energy by the distributor aims at assuring that the contract level remains in the range between 100% and 105%, risks with energy purchase to serve the captive market. For such, each process of the decision on the energy purchase declaration amount in auction and interest in Surplus and Deficit Offsetting Mechanism - MCSD or sale of energy by means of MVE, use statistical models to make projections of several consumption scenarios, in which there is correlation with climate, economic and tariff variables, besides streamlining models that aims at minimizing cost, and risk of penalty and non-transfer of tariffs.

In the current regulation, the backed domestic energetic system expansion is guaranteed by the long-term energy contracting by the distributors, through projection of its captive market, with three to six years in advance in relation to the acquired electric energy supply, (amended by Decree 9143/17) that is, the decisions on contracts use long-term economic projections that in situations of normality do not present great changes. Amount of contract commitments for the purchase of future energy entered into up to December 31, 2020 are presented in Note 39.1.

In the current scenario, besides the drop in consumption caused by an adverse and unpredictable context, the strong increase in the regulated market tariffs, in the face of a low price in the free market caused many customers to migrate from the loyal environment to the free one, motivated by cost reduction in energy purchase. Both factors took the distributors to a generalized overcontracting scenario.

In order to mitigate the risks of over and undercontracting (exposure), there are instruments provided in the regulation so that distributors may increase or reduce the contracted energy volume, that is, manage their contract portfolios. They are:

• Increase in the contracting level: by means of the contracting in Auctions A-7, A-6, A-5, A-4, A-3, A-2, A-1, A-0, of Alternative Sources (amended by Decree 9143/17), of Adjustment, and also through participations in the Surplus and Deficit Offsetting Mechanism (MCSD) of Existing Energy and new energy with deficit declaration;

• (i) Reduction in the contracting level by reduction in the volumes of Energy Trading Contracts in the Regulated Environment (CCEAR) for Existing Energy per quantity, with annual reduction of up to 4% of the contracted volume by market changes; (ii) a statement less than 96% of the restitution amount in Auctions A-1 (amended by Decree 8828/16); (iii) reduction in energy agreements that exist due to the migration number of conventional and special consumers (Provided by Normative Resolution 726/2016) to the Free Trade Market (ACL); (iv) bilateral agreements; and (v) participation in the MCSD's with plenty statement, and sale of energy to the ACL through the MVE.

With the publication of Law 12783/13, which dealt with the extension of the electric energy sector concessions, the agents that own hydroelectric power plants which concession term end in up to five year could request the concession renewal, submitting to the Physical Guarantee Quotas regime, allocated to the distributors by means of the Physical Guarantee Quotas Contracts - CCGFs. So, from 2013, the CCGFs replaced part of the CCEARs for Existing Energy of the distributors.

However, to the CCGFs no prerogative of contracted volume reduction was provided so that the distributor could manage its contracting level. With this change, foreign to the management of distributors, this segment no longer had enough mechanisms for protecting itself against consumption reduction and migration of customer to free environment. Namely, the participation in the MCSD 4%, or the Free Exchanges MCSD and the Monthly MCSD was limited. So, the realization volume in the CCEARs of Existing Energy was reduced, as provided in the Law 10848/04 and in Article 29 of Decree 5163/04.

Besides the Physical Guarantee Quotas Contracts (CCGFs) that do not represent a prerogative for reducing the contracted volume, the distributors' flexibility loss in the management of its contract surplus was powered by the introduction of the CCEARs of Existing Energy by Availability in their portfolios, which also do not provide specific contractual clause that allows the reduction in the contracted amount.

In 2016 the Technical Note 109/2016 proposed the improvement in the Regulatory Resolution 693/2015 allowing the creation of the MCSD of Energia Nova as an additional mechanism so that both distributors and generators could cancel the contract of energy in the regulated environment. In 2018, through Regulatory Decision No. 824 of July 10 and Decision No. 833 of December 10 of the same year (revoked by Decision 869 of January 28, 2020), MVE was regulated as an additional management tool surplus energy for the distributors. However, this new regulation also limited the efficiency of the MCSD Energia Nova and the bilateral contracts in the reduction of contracting level, allowing the use of such mechanisms only with plants that are not in commercial operation.

With the publication of Decree 9143/17 (Resolution 453 of 2011), the involuntary contractual exposures of distributors started to be recognized whenever it was noted the condition of maximum effort by the agent, in view of the following: (i) frustrated purchase of electric energy in Auctions for purchase; (ii) extraordinary and unpredictable events arising from events beyond the will of the selling agent, recognized by ANEEL; (iii) changes in the distribution of the CCGFs, energy availability and potency of Itaipu Binacional, PROINFA and, from the year 2013, of Usinas Angra 1 and Angra 2; and (iv) exercise of the purchase option by free and special consumers. However, despite the involuntary exposure is recognized, the criteria for fulfillment of the condition of maximum effort by the distributor are being discussed by ANEEL for the 2016 and onwards.

Regulatory Decision No. 727/2016 also determines that to meet the criterion of maximum effort, it will be required to declare in MCSD Energia Nova all amounts of distributors' involuntary exposure.

With the COVID-19 scenario (Note 4.8.3.1.2), there was a reduction in the electricity distribution market for the year 2020, thus causing over-contracting of the contracted energy. Decree 10.350 of May 18, 2020 amended Decree 5.163/2004, Art.3, §7 by adding text stipulating that the load reduction resulting from the effects of the aforementioned pandemic, determined per the ANEEL regulation, shall be considered as involuntary contractual exposure of electricity distributors.

Therefore, ANEEL is expected to define – in specific regulations – the assessment of involuntary overcontracting by such companies, as well as possible additional adjustments to the economic balance of concession agreements. According to Resolution 885/2020, Art. 15, §1 (60 days after publication of the Resolution), Public Consultation 35 was initiated by the Regulatory Agency, and the closing of its 3rd phase will occur on February 01, 2021, for the improvement of the mechanisms related to economic and financial rebalancing arising from triggering events as a consequence of the pandemic, in addition to the treatment of involuntary over-contracting and reimbursement, to consumers, of administrative, financial and tax costs of the "Covid-Account" credit operation.

The overcontracting of energy for the year of 2020 had a negative impact of R$ 15,326 on the results of EDP São Paulo and of R$ 11,779 at EDP Espírito Santo, including the COVID-19 effects.

38.2.2.2 Early maturity of debts

The Company and its subsidiaries have loan, financing and debenture agreements with covenants usually applicable to these types of operations, related to compliance with economic and financial indexes, cash generation, among others.

Covenants are financial indicators that control the financial health of the Company and its subsidiaries, as required by fund raising contracts. Non-compliance with covenants of debt agreements may result in an immediate disbursement or early maturity of a liability with defined flow and periodicity. The ratio of covenants by agreement appears described individually in notes 25 and 26. Up to December 31, 2020, all covenants of contracted liabilities were fully complied with.

In addition to controlling the covenants linked to liquidity risk, there are contracted guarantees (Note 39.2) for the headings of loans, financing and debentures. Those contractual guarantees are the maximum that the Company and its subsidiaries may be required to settle, in accordance with the terms of the financial guarantee agreements, if the full guaranteed amounts are put to execution by the creditors for lack of payment. For the account of purchase of power, the guarantees are mostly tied to the Company's receivables, which may undergo changes as a result of possible losses of credit in these receivables.

38.2.3 Hydrologic risk

Generation

The power sold by the subsidiaries depends on the hydrological conditions. In addition, income from the sale is linked to the assured energy, whose volume is determined by the regulatory body and is included in the concession agreement. Cyclical conditions system in recent years, with low flow rates and low storage hydroelectric, has caused a significant decrease in energy production with hydropower and increasing costs in purchasing power. Mitigation of this risk is through the Energy Reallocation Mechanism (MRE), which is a financial mechanism of sharing hydrologic risk among participants plants of the National Interconnected System - SIN operated by the National System Operator - ONS. However, in extreme moments of low storage, MRE exposes the subsidiaries to one apportionment based on PLD, generating an expenditure with GSF for hydro generators.

In order to reduce the exposure to this risk, generation accepted the proposal to renegotiate the hydrologic risk for energy amount contracted at ACR through transfer of 92% (valid for UHE Luiz Eduardo Magalhães (Investco and Lajeado)) and transfer of 94% (valid for UHE Mascarenhas (Energest)) of this remaining hydrologic risk to CCRBT (tariff flag centralizing account) through premium payment (Note 16.3).

Additionally, anticipating the scenario of deterioration of the PLD and GSF as a result of the worsening of the Brazilian hydrological scenario, the generation subsidiaries implemented several initiatives in order to strengthen strategies to protect the impacts caused by high energy prices on the free market, increasing the share of decontracted energy in its portfolio, in addition to the seasonality of sale contracts.

Distribution

The Brazilian energy matrix is predominantly hydric and a prolonged drought would reduce the volume of water in the reservoirs of the hydroelectric power plants, which also cause a electric power rationing and an increase in the purchase cost of energy in the short term market and the increase of electric system charges as a result of the dispatch of the thermoelectric plants, generating a cash need and as a result, from future tariff readjustments for the economic-financial balance of the Concession Agreement of distribution subsidiaries.

As a tool to monitor the risk of rationing, the distribution subsidiaries use the Energy Risk Subcommittee which has the following practices: (i) assessment of the energy supply and demand scenario in different regions of operation, the macro and microeconomic variables and the specificities of each market, in a horizon of five years; (ii) anticipation of potential impacts on the generation of electricity to ensure the supply of power; (iii) minimizing impacts on Income; and (iv) avoid shortages at the Concessionaires.

38.2.4 Credit risk

Credit risk includes the possibility that the Company may not be able to realize their rights. This description is mainly related to the following captions:

• **Accounts receivable**

In the electrical power industry, the operations carried out are reported to the regulatory agency, which maintains updated information on power volume produced and consumed. Power is traded through auctions, contracts, among other mechanisms, bringing reliability and control on default among sectorial participants.

The priority of Concession Agreements for power distribution is to serve the market without excluding low income population and areas with lower population density. Thus, accepting and serving these new captive consumers dwelling in the concessionaire's operating area is a standard of the concession agreement.

Thus, for the distribution of electricity the financial instrument with the ability to expose the Company to credit risk is accounts receivable from consumers. However, the subsidiaries of distribution prepare comprehensive studies to determine the estimated loss for these assets.

The main tool used to mitigate the risk of non-realization of accounts receivable from consumers is to suspend power supply to consumers in default. Before this stage, the subsidiaries use many collection methods, such as administrative collection, notice in the energy bill, and by SMS, protest in protest offices, credit restriction at credit protection companies, among others. The subsidiaries offer to consumers several communication channels, as follows call centers, service stores and Internet, application, besides the realization of fairs for payment agreements.

As mentioned in Note 4.8.3.1.1, on March 24, 2020, Normative Resolution 878 prohibited the suspension of electricity supply (power shut-off) for certain consumption classes. Accordingly, the distribution subsidiaries observed an increase in default compared to the payment history and, consequently, increased the forecast of expected losses for these receivables using parameters from the Central Bank's default indicator, calculated by specialized consultants (Note 7).

Furthermore, with a view to maintaining the economic and financial balance of the concession, ANEEL's regulations provide for the transfer of the sum of uncollected income to the tariffs, after the 5-year collection period, pursuant to the regulations in force through PRORET submodule 2.2.

Regarding generation subsidiaries, the risk arising from the possibility of subsidiaries sustaining losses as a result of experiencing difficulty receiving amounts billed to its customers, is considered low according to the contractual guarantees presented in the scope of energy agreements in the Regulated Trading Environment.

Regarding the subsidiaries of trading and services, the risk arising of the subsidiaries sustaining losses as a result of experiencing difficulty receiving amounts billed to its customers, is also considered low. The Company and its subsidiaries in these segments have a policy focused on credit risk mitigation, which consists of identifying the credit rating of the proponent customer, and a grade is assigned to the financial health of the counterparty (separated into A, B, C, D and E) which takes into account, among other aspects, the analysis of the financial statements of the counterparty associated with a probability of default. For each credit rating, maximum terms of contracts and financial guarantees are established, and the lower the counterparty's rating, the shorter the contract terms and the more liquid the financial guarantees will be. The credits of all these customers and exposure thereof to the various sectors of the economy are evaluated periodically, so as to maintain the diversification of their portfolio and reduce their exposure to risk. EDP Comercializadora has short- and long-term bilateral future commitment contracts. Default risk is mitigated through specific guarantee clauses, always in accordance with the financial capacity of each counterparty; this can be a corporate guarantee, bank guarantee, performance bond, or registration against payment, the latter being only for short-term contracts.

In relation to the COVID-19 pandemic (Note 4.8), the distributors and EDP Comercializadora have energy contracts with "free" and "captive" customers, whereby – between March and December – some of these customers requested better payment terms to alleviate the impact on their cash flows and/or triggered the Unforeseeable Events or Force Majeure clause in order to suspend payment of the contracted volume for the duration of the pandemic, and pay only the energy actually measured in the contracts. The Management of subsidiaries carried out a legal assessment indicating that there is no reason for this clause to be activated and, thus, is presenting installment payment proposals to clients. Therefore, for the year, there was no accounting record related to credit risk.

• **Cash, Cash equivalents, Guarantees and Securities**

The management of these financial assets is through operating strategies based on corporate policies and internal controls, aimed at assuring liquidity, security and profitability.

Specific mitigation strategies of the Financial Risk Management Policy of Grupo EDP - Energias do Brasil are periodically conducted based on risk reports.

Decisions about financial investments, also complying with the same policy, establishes conditions and limits of exposure to market risks appraised by specialized agencies. The policy determines levels of concentration of investments at financial institutions in accordance with the bank's rating and the total sum of investments of the Company and its subsidiaries, in order to maintain a balanced proportion that is less subject to losses.

Regarding investments related to Bank Deposit Certificates or backed by debentures, the Company and its subsidiaries operate only with financial institutions whose risk rating is at least A by Fitch Ratings (or equivalent to Moody's or Standard & Poor's). The following are the amounts of financial investments segregated by risk classification:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Classification of the financial institution				
AAA	610.091	395.996	1.995.063	1.661.880
AA	285.285	250.005	539.237	535.766
A				53
	895.376	646.001	2.534.300	2.197.699

The Risk Management Policy also money to be paid into a Restricted Investment Fund with a portfolio of assets tied to LFTs (floating-rate bonds) issued by the Brazilian Government, or Repurchase agreement backed by Federal Government Bonds, considered a highly–liquid security with an extremely low risk (Notes 5.2 and 6).

Management understands that the contracted financial investments do not expose the Company and its subsidiaries to significant credit risks that might generate material losses in the future.

• **Indemnifiable financial assets**

The balance refers to the amounts receivable as indemnity from the Concession Grantor and arises from the investments made in the infrastructure of the concessionaire that will not be recovered by the service provision granted up to the concession termination. The concession agreement entitles the Company to indemnity for the infrastructure assets not yet amortized, provided that authorized by ANEEL, and determined in inspection branch procedures.

• **Concession assets - Transmission**

The transmission subsidiaries maintain Transmission Service Agreements with the National System Operator - ONS, regulating the provision of their services linked to basic network users, with a bank guarantee clause that ensures payments are received and mitigates the risk of default.

• **Sectorial financial assets**

Sectorial financial assets refer to the difference between costs estimated by ANEEL and included in the tariff at the beginning of the tariff period, compared to those that are actually incurred during the tariff period. Annually, ANEEL reviews the tariffs of distribution subsidiaries and include such assets in them. Additionally, the concession agreement also guarantees that the distribution subsidiaries will be indemnified for the outstanding balances of possible shortage of refund for the tariff as a result of termination, for any reason, of the concession.

• **Future commitments**

The subsidiary EDP Comercializadora has short- and long-term bilateral future commitment contracts. Default risk is mitigated through specific guarantee clauses, always in accordance with the financial capacity of each counterparty; this can be a corporate guarantee, bank guarantee, performance bond, or registration against payment, the latter being only for short-term contracts.

38.2.5 Regulatory risks

Subsidiaries' activities are regulated and inspected by regulatory agencies (ANEEL, ARSP-ES, ARSESP, etc.) and other bodies related to the sector (MME, CCEE, ONS etc). Grupo EDP – Energias do Brasil is committed to comply with all the regulations issued, therefore, any change in the regulatory environment may affect its activities.

The mitigation of regulatory risks is made by monitoring scenarios involving the parties interested in the Company's business. Grupo EDP - Energias do Brasil is engaged in the discussion of themes of its interest, and discloses studies, theses and experiences to opinion leaders.

38.2.6 Environmental risks

Company's activities may cause significant negative impacts and damage to environment. The Law imposes to the entity that directly or indirectly causes environmental degradation the obligation of repairing or indemnifying damage caused to environment and affected third parties. The costs of recovering the environment and environmental indemnities may force the Company to delay or reroute investments to other areas. However, the Company ensures a balance between the risks related to climate change, social impacts, environmental conservation and the development of its activities, by establishing guidelines and practices that can be seen in operations that reduce the risks of impact on the environment, remaining focused on sustainable development, social responsibility, and environmental preservation of its business.

38.2.7 Climatic risks

The risks related to climate change were characterized as Strategic from the Environmental Perspective of the EDP - Energias do Brasil Group. At this level, we evaluate the way in which climate change affects the business of the Company and its subsidiaries, considering the effects of weather, global warming, ocean tides, hydrology, droughts, or other disruptive events. These factors are discussed periodically by Company Management.

In this regard, to mitigate any financial and social impact, the Company has a Sustainability Board that is directly committed to issues of climate change in the Group. The Sustainability Board is responsible for approving policies and guidelines related to sustainability, social responsibility, and environmental preservation.

Its plans for activity include topics such as climate change, encompassing impacts of carbon pricing and performance improvement in the climate dimension of the Corporate Sustainability Index (ISE).

The Grupo EDP - Energias do Brasil actively participates in sharing experiences that contribute toward increasing and building knowledge about the energy sector and issues relating to climate change.

38.2.8 Operating risk - Porto do Pecém

The subsidiary Porto do Pecém has – as an operational risk – the possible shortage of inputs, including coal. The UTE Porto do Pecém uses coal as an input, and usually sourced from mines in Colombia. Its coal purchase contracts are signed for a minimum period of one year, providing for coal sourced from other parts of the world, in addition to the qualified mines in Colombia, in order to mitigate possible production risks, such as labor strikes, weather- or climate-related events, and major contingencies of the mining company.

The coal purchase contract is managed so as guarantee speedy decision-making processes regarding coal purchases, given the systemic information, and considering projections of future demand.

Water is another input that Porto do Pecém may have a shortage of, due to having its water supplied by the subsidiary of Companhia de Gestão dos Recursos Hídricos (COGERH), a state-owned company that manages the raw water reservoirs and distribution systems of the state of Ceará. Such supply is carried out by means of a contract signed between the parties, which establishes the supply of water for a volume less than or equal to the amount granted, (500 l/s for Pecém I and 250 l/s for Pecém) which is sufficient to meet demand required by the processes of the thermoelectric complex.

This contract may be overwritten, pursuant to Law 9433 of January 8, 1997, which deals with the National Water Resources Policy, in article 1 item III, which establishes that, in situations of shortage, the priority use of water resources is human consumption and livestock watering. Thus, due to the water scenario in the state of Ceará, which has been impacted by successive periods of drought that occurred over the last eight years (thereby reducing reservoir levels), some supply sanctions were imposed, as well as the implication of a contingent surcharge in the rates charged by the water utility.

Since then, several mitigation actions have been taken by Porto do Pecém, aiming at reducing water consumption as well as favoring the reuse of the wastewater generated by the power generating units. Such actions resulted in a reduction of more than 10% in the water volume consumed by the port complex, and the reuse of nearly 40% of the wastewater generated.

Additionally, the subsidiary manages inventories considering minimum and maximum safety limits so that, for any contingencies or changes in future demand, they can be absorbed without major risks.

38.2.9 Capital management

The purpose of the Grupo EDP - Energias do Brasil's capital management is to safeguard business continuity of the Group in order to offer returns to shareholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce such cost and maintain a proper financial liquidity to the Group's companies.

In order to maintain or adjust its capital structure and financial liquidity, Grupo EDP - Energias do Brasil may review its dividend payment policy, return capital to shareholders, issue new shares, make new financing, renegotiate the existing debts or sell assets.

Regarding the capital structure, the Company monitors the index represented by "Consolidated Net Debt" divided by "Consolidated EBITDA", whose maximum limit is up to 3.5 times. As of December 31, 2020, this ratio was 1.8x.

	Note	Consolidated 12/31/2020	Consolidated 12/31/2019
Total loans and debentures	25 | 26	9.034.891	8.464.838
(-) Cash and cash equivalents	5	(2.735.859)	(2.638.610)
(-) Securities	6	(153.990)	(135.263)
(-) Pledges linked to debt		(9.326)	(133.834)
Net debt		6.135.716	5.557.131
Total shareholders' equity		11.256.273	10.331.597
Total capital		17.391.989	15.888.728
Leverage ratio – %		35,28	34,98

39 Contractual commitments and guarantees

39.1 Contractual commitments

On December 31, 2020, the Company and its subsidiaries have contractual commitments not recognized in the financial statements, presented by maturity.

The contractual commitments of the Company and its subsidiaries referred to in the table above are at present value and essentially reflect agreements and commitments necessary to the normal course of the operating activities of the Company and its subsidiaries, including those contractual commitments beyond the end date of concession, restated at the respective projected rates and adjusted to present value at the rate representing the average cost of capital (WACC) of Grupo EDP Energias do Brasil.

	Parent Company 12/31/2020					Parent Company 12/31/2019
	2021	2022–2023	2024–2025	As from 2026	Total	Total
Liabilities for purchases						
Materials and services	60.945	23.091	610	44	84.690	57.139
Interest Falling Due Loans, Financing and Debentures	46.249	20.502	3.069		69.820	103.473
	107.194	43.593	3.679	44	154.510	160.612

	Consolidated 12/31/2020					Consolidated 12/31/2019
	2021	2022–2023	2024–2025	As from 2026	Total	Total
Liabilities with operating leases	2.818	2.304	32		5.154	5.973
Liabilities for purchases						
Purchase of energy	4.450.659	8.436.544	7.218.110	24.342.147	44.447.460	45.455.134
Energy connection and transportation charges	884.332	1.788.099	1.563.437	2.081.497	6.317.365	5.496.479
Materials and services	2.339.691	1.054.990	314.417	58.710	3.767.808	4.657.395
Risk premium - GSF				26.301	26.301	22.077
Interest Falling Due Loans, Financing and Debentures	641.757	726.422	406.852	591.287	2.366.318	2.380.327
	8.319.257	12.008.359	9.502.848	27.099.942	56.930.406	58.017.385

Contract commitments mentioned in the chart below reflect the same contract commitments shown above, however, they are adjusted at respective rates on base date December 31, 2020, that is, without projection of correction indices, and are not adjusted at present value.

	Parent Company 12/31/2020					Parent Company 12/31/2019
	2021	2022–2023	2024–2025	As from 2026	Total	Total
Liabilities for purchases						
Materials and services	58.884	24.584	738	71	84.277	50.955
Interest Falling Due Loans, Financing and Debentures	42.033	16.503	2.419		60.955	75.081
	100.917	41.087	3.157	71	145.232	126.036

	Consolidated 12/31/2020					Consolidated 12/31/2019
	2021	2022–2023	2024–2025	As from 2026	Total	Total
Liabilities with operating leases	2.723	2.412	40		5.175	5.188
Liabilities for purchases						
Purchase of energy	4.450.659	9.413.870	9.167.133	42.589.021	65.620.683	65.747.638
Energy connection and transportation charges	884.324	1.994.560	2.002.201	3.006.799	7.887.884	7.143.090
Materials and services	2.260.570	1.131.638	385.658	90.447	3.868.313	4.337.567
Risk premium - GSF			1	55.459	55.460	50.051
Interest Falling Due Loans, Financing and Debentures	614.088	683.622	479.108	841.828	2.618.646	2.020.811
	8.212.364	13.226.102	12.034.141	46.583.554	80.056.161	79.304.345

39.2 Guarantees

		Maximum guaranteed limit			
		Parent Company		Consolidated	
Guarantees	**Type of guarantee**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Life insurance	Shareholder's co-signature	322.714	314.050	322.714	287.633
Lawsuits	(i) Blocked Deposit, (ii) Bank Guarantee and (iii) Insurance bond.	245.602	579.313	245.602	566.296
Lease contract				27.555	31.606
Construction performance bond	Insurance bond	240.491	312.426	234.457	243.723
Other	Insurance bond	12.230		113.467	82.262
		821.037	1.205.789	943.795	1.211.520

The amounts regarding guarantee for Energy purchase (Note 24) and Loans, financing and debt charges (Note 26) are presented in their respective notes.

40 Segment reporting

A business segment is an identifiable component of the Group engaged in providing an individual product or service of a group of related products and services, and that is subject to risks and benefits that may be distinguished from other business segments.

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The main operating decision maker, in charge of allocating funds and evaluating performance of operating segments is the Company's Executive Board, in charge of the strategic decision-making of Grupo EDP - Energias do Brasil.

Grupo EDP - Energias do Brasil develops a set of power supply activities, with special emphasis on the generation, distribution, transmission and sales of electrical power.

Based on internal reports, the Executive Board is responsible for evaluating the performance of several segments and deciding on the allocation of funds to each of the identified business segments.

40.1 Segment characterization

The amounts reported for each business segment are the result of the consolidation of subsidiaries and business units within each segment and the cancellation of intra-segment transactions.

The column "Holding company" refers to the parent company, and origin of this income is substantially related to the evaluation of investment in subsidiaries, associated companies and jointly-controlled subsidiaries by the equity accounting method, as required by the accounting practices had been adopted in Brazil.

The "Holding" column above, as well as the "Others" column, are presented for purposes of consolidating the result.

40.1.1 Statement of Income

	2020							
	Distribution	Generation	Trading	Transmission	Holding company	Other	Elimination	Total
Income	8.473.369	2.982.460	4.073.298	1.412.120	2.826	87.113	(2.047.386)	14.983.800
Cost of production for electricity services								
Electricity services cost	(5.487.301)	(828.311)	(3.849.097)				2.039.914	(8.124.795)
Cost of production for electricity		(251.005)				(8.429)	2.620	(256.814)
Cost of operation	(756.978)	(394.294)	(9.785)	(5.091)		(14.247)		(1.180.395)
Cost of service rendered to third-parties	(752.826)		(7)	(1.020.786)		(41.915)	4.852	(1.810.682)
	(6.997.105)	(1.473.610)	(3.858.889)	(1.025.877)	-	(64.591)	2.047.386	(11.372.686)
Gross profit	1.476.264	1.508.850	214.409	386.243	2.826	22.522	-	3.611.114
Operating expenses and income								
Selling expenses	(140.269)		(4.728)			(1.158)		(146.155)
General and administrative expenses	(277.123)	(107.276)	(21.579)	(16.294)	(97.938)	(25.178)	(50.462)	(595.850)
Other operating expenses and income	(135.619)	819	(146)	(450)	(2.589)	27	2.160	(135.798)
	(553.011)	(106.457)	(26.453)	(16.744)	(100.527)	(26.309)	(48.302)	(877.803)
Income (loss) from ownership interest		(2.064)	(10.573)		1.696.483		(1.603.886)	79.960
Income (loss) before financial result and taxes	923.253	1.400.329	177.383	369.499	1.598.782	(3.787)	(1.652.188)	2.813.271
Financial result								
Financial income	342.518	49.603	10.405	2.444	6.491	382	(15.271)	396.572
Financial expenses	(367.899)	(344.550)	(7.102)	(38.151)	(99.472)	(5.929)	15.271	(847.832)
	(25.381)	(294.947)	3.303	(35.707)	(92.981)	(5.547)	-	(451.260)
Income (loss) before income taxes	897.872	1.105.382	180.686	333.792	1.505.801	(9.334)	(1.652.188)	2.362.011
Income taxes								
Income tax and social contribution - current	(260.472)	(139.080)	(2.649)	(1.536)	(24)	(2.392)		(406.153)
Deferred income tax and social contribution	19.131	(103.343)	(63.669)	(112.278)	2.240	1.056	14.925	(241.938)
	(241.341)	(242.423)	(66.318)	(113.814)	2.216	(1.336)	14.925	(648.091)
Net income (loss) for the year	656.531	862.959	114.368	219.978	1.508.017	(10.670)	(1.637.263)	1.713.920
Attributable to controlling shareholders	656.531	665.192	114.368	211.842	1.508.017	(10.670)	(1.637.263)	1.508.017
Attributable to non-controlling shareholders		197.767		8.136				205.903

	2019							
	Distribution	Generation	Trading	Transmission	Holding company	Other	Elimination	Total
Income	8.238.463	3.659.972	3.895.943	2.188.522	4.634	65.848	(2.825.046)	15.228.336
Cost of production for electricity services								
Electricity services cost	(5.337.867)	(1.595.587)	(3.777.226)				2.821.735	(7.888.945)
Cost of production for electricity		(585.585)				(7.990)	3.015	(590.560)
Cost of operation	(754.936)	(413.020)	(7.252)	(36.359)		(9.256)	296	(1.220.527)
Cost of service rendered to third-parties	(647.846)		(586)	(1.909.179)		(18.907)		(2.576.518)
	(6.740.649)	(2.594.192)	(3.785.064)	(1.945.538)	-	(36.153)	2.825.046	(12.276.550)
Gross profit	1.497.814	1.065.780	110.879	242.984	4.634	29.695	-	2.951.786
Operating expenses and income								
Selling expenses	(110.623)		250			(2.627)		(113.000)
General and administrative expenses	(146.916)	(88.961)	(14.529)	(12.209)	(97.707)	(21.068)	(41.876)	(423.266)
Other operating expenses and income	(123.783)	(5.300)	(589)	1.376	11.173	(44)	(6.041)	(123.208)
	(381.322)	(94.261)	(14.868)	(10.833)	(86.534)	(23.739)	(47.917)	(659.474)
Income (loss) from ownership interest		45.660	(6.737)		1.446.997		(1.417.772)	68.148
Income (loss) before financial result and taxes	1.116.492	1.017.179	89.274	232.151	1.365.097	5.956	(1.465.689)	2.360.460
Financial result								
Financial income	610.709	102.371	9.418	1.770	47.071	3.511	(16.434)	758.416
Financial expenses	(771.185)	(329.408)	(6.182)	(18.851)	(73.194)	(9.210)	16.434	(1.191.596)
	(160.476)	(227.037)	3.236	(17.081)	(26.123)	(5.699)	-	(433.180)
Income (loss) before income taxes	956.016	790.142	92.510	215.070	1.338.974	257	(1.465.689)	1.927.280
Income taxes								
Income tax and social contribution - current	(145.705)	(107.641)	(31.099)			(3.456)		(287.901)
Deferred income tax and social contribution	(71.949)	(29.784)	155	(72.944)	(1.118)	926	17.790	(156.924)
	(217.654)	(137.425)	(30.944)	(72.944)	(1.118)	(2.530)	17.790	(444.825)
Net income (loss) for the year	738.362	652.717	61.566	142.126	1.337.856	(2.273)	(1.447.899)	1.482.455
Attributable to controlling shareholders	738.362	510.909	61.566	139.335	1.337.856	(2.273)	(1.447.899)	1.337.856
Attributable to non-controlling shareholders		141.808		2.791				144.599

40.1.2 Balance sheet

	12/31/2020							
	Distribution	Generation	Sales	Transmission	Holding company	Other	Eliminations	Total
Current assets	3.582.928	1.589.232	800.618	658.444	1.427.839	70.766	(660.748)	7.469.079
Non-current assets	7.828.393	6.909.916	806.765	4.395.888	9.996.062	289.966	(7.404.810)	22.822.180
Current liabilities	4.270.337	2.105.126	776.186	714.124	758.096	124.379	(689.166)	8.059.082
Non-current liabilities	5.070.060	1.853.357	519.523	3.617.736	544.725	138.315	(767.812)	10.975.904
Total shareholders' equity and non-controlling interests	2.070.924	4.540.665	311.674	722.472	10.121.080	98.038	(6.608.580)	11.256.273

	12/31/2019							
	Distribution	Generation	Sales	Transmission	Holding company	Other	Eliminations	Total
Current assets	3.428.543	1.406.424	632.291	1.037.924	1.490.615	70.419	(741.241)	7.324.975
Non-current assets	7.183.311	6.567.115	214.349	2.890.722	8.964.972	226.543	(5.882.918)	20.164.094
Current liabilities	2.525.589	1.742.903	608.957	1.034.467	530.298	32.553	(741.240)	5.733.527
Non-current liabilities	5.788.588	2.230.600	12.032	2.637.098	696.242	178.932	(119.546)	11.423.946
Total shareholders' equity and non-controlling interests	2.297.677	4.000.036	225.651	257.081	9.229.047	85.477	(5.763.373)	10.331.596

41 Insurance coverage

The Company and its subsidiaries have insurance policies with coverage determined by experts and governed by a standard on contracting and maintaining insurance approved by the Executive Board of EDP Group – Energias do Brasil. Hiring insurance considers the nature and the degree of risk, in amounts considered sufficient to cover possible losses on its assets and responsibilities.

Given their characteristics, the risk assumptions adopted are not within the scope of a review of financial statements and consequently were not audited by independent auditors.

The main amounts at risk with insurance coverage are:

	Parent Company				Consolidated			
	12/31/2020		12/31/2019		12/31/2020		12/31/2019	
	Value at risk	Maximum limit for indemnity	Value at risk	Maximum limit for indemnity	Value at risk	Maximum limit for indemnity	Value at risk	Maximum limit for indemnity
Substations					1.272.486	2.871.774	1.254.997	2.145.806
Power Plants					7.341.570		5.685.242	
Transmission lines					177.463	174.394	177.463	174.394
Buildings and contents (own and third-parties)	73.070	65.000	73.070	65.000	267.213	216.310	218.181	64.999
Civil liability	264.510	264.510	264.510	264.510	695.680	695.680	689.680	689.680
Transports (material)					64.202	21.623	64.202	21.623
Transportation (vehicles)	360	360	360	360	4.458	4.458	429	429
Life insurance	61.034	(*)	57.766	(*)	431.834	(*)	408.953	(*)
Loss of profits					337.341	188.720	252.177	141.072
Engineering Risk					3.022.136	3.022.136	3.026.643	3.026.643

(*) The compensation value will be 24 times the salary of the employee, with a maximum of R$ 581 up to the Director position. For the positions of vice-president and president, the maximum limit is R$ 1,452.

The balance presented as Civil Liability in the Company is structured down as follows:
(i) General civil liability, with coverage of up to R$ 50,000;
(ii) Environmental civil liability, with coverage of R$17,190;
(iii) Civil Liability of administrators and directors (D&O), with coverage of R$ 193,210; and
(iv) Cyber risk civil liability insurance with coverage up to R$ 4,110.
The balance presented as Civil Liability in Consolidated, has in addition to Company's insurance, the details as described below:
(i) EDP Grid and EDP Soluções: civil liability for professional errors and omissions, with coverage of up to R$ 6,000;
(ii) EDP Grid and EDP Soluções: civil liability works for ongoing projects, with coverage totaling R$ 23,500;
(iii) Enerpeixe: general civil liability, with coverage of up to R$ 50,000;
(iv) Pecém: general civil liability, with coverage of up to R$ 50,000;
(v) Transmissão MA I: civil liability - construction work, for substation and transmission line, with coverage of up to R$ 50,000;
(vi) Transmissão MA II: civil liability - construction work, for substation and transmission line, with coverage of up to R$ 94,634 and R$ 50,000,
(vii) Transmissão SP-MG: civil liability - construction work, for substation and transmission line, with coverage of up to R$ 50,000;
(viii) Transmissão Aliança: civil liability - construction work, for substation and transmission line, with coverage of up to R$ 50,000; and
(ix) EDP São Paulo: civil liability for aviation, with coverage of up to R$ 1,036.

42 Statements of cash flow

42.1 Financing activities

In compliance with CPC 03 (R2) – Statement of Cash Flows, the changes in assets and liabilities derived from financing activities, including adjustments to reconcile income are as follows:

		Parent Company					
				Non-cash effect			
	Note	December 31, 2019	Cash effect	Inflation adjustment and exchange-rate change	Mark-to-Market/Adjustment to present value	Additions / write-offs	Balance at December 31, 2020
(Increase) decrease in financing assets							
Securities and loans receivable		251.603	(407)		8	(223.647)	27.557
		251.603	(407)	-	8	(223.647)	27.557
Increase (decrease) in financing liabilities							
Dividends	14	324.790	(322.583)			358.155	360.362
Debentures	25	494.537	(114.027)	21.015		41.005	442.530
Loans, financing and debt charges	26	-	100.000			934	100.934
Treasury shares	32.5	(32.155)	(113.911)			78	(145.988)
Leases and rentals	16.7	4.965	(1.998)	(641)	127	(1.239)	1.214
Capital	32.1	4.682.716				820.000	5.502.716
		5.474.853	(452.519)	20.374	127	1.218.933	6.261.768
Changes related to financing activities (Financing liabilities (-) Financing assets)		5.223.250	(452.112)	20.374	119	1.442.580	6.234.211

	Parent Company					
			Non-cash effect			
	Balance at 12/31/2018	Cash effect	Inflation adjustment and exchange-rate change	Mark-to-Market/Adjustment to present value	Additions / write-offs	December 31, 2019
(Increase) decrease in financing assets						
Securities and loans receivable	251.647	(4.681)		(2.081)	6.718	251.603
	251.647	(4.681)	-	(2.081)	6.718	251.603
Increase (decrease) in financing liabilities						
Dividends	378.795	(414.144)			360.139	324.790
Debentures	548.878	(118.350)	16.964		47.045	494.537
Treasury shares	(4.738)	(26.791)			(626)	(32.155)
Leases and rentals	-	(3.079)	408	554	7.082	4.965
	922.935	(562.364)	17.372	554	413.640	792.137
Changes related to financing activities (Financing liabilities (-) Financing assets)	671.288	(557.683)	17.372	2.635	406.922	540.534

		Consolidated						
				Non-cash effect				
	Note	December 31, 2019	Cash effect	Inflation adjustment and exchange-rate change	Mark-to-Market/Adjustment to present value	Additions / write-offs	Other	Balance at December 31, 2020
(Increase) decrease in financing assets								
Pledges linked to loans, financing and debentures		133.834	(126.474)	1.966				9.326
Securities and loans receivable		26.186				(26.186)		-
		160.020	(126.474)	1.966	-	(26.186)	-	9.326
Increase (decrease) in financing liabilities								
Dividends	14	399.596	(424.025)			511.815	26.785	514.171
Debentures	25	6.187.721	(1.427.683)	144.803		311.360		5.216.201
Loans, financing and debt charges	26	2.277.117	1.331.629	14.102	7.072	188.771		3.818.691
Treasury shares	32.5	(32.155)	(113.911)			78		(145.988)
Leases and rentals	16.7	96.565	(34.249)	(3.016)	6.954	4.544		70.798
Non-controlling shareholders								
Advance for future capital increase – AFAC		10.000	(57.180)			47.180		-
Capital	32.1	4.682.716	57.180			762.820		5.502.716
		13.621.560	(668.239)	155.889	14.026	1.826.568	26.785	14.976.589
Changes related to financing activities (Financing liabilities (-) Financing assets)		13.461.540	(541.765)	153.923	14.026	1.852.754	26.785	14.967.263

	Consolidated						
			Non-cash effect				
	Balance at 12/31/2018	Cash effect	Inflation adjustment and exchange-rate change	Mark-to-Market/Adjustment to present value	Additions / write-offs	Other	December 31, 2019
(Increase) decrease in financing assets							
Pledges linked to loans, financing and debentures	685.442	(570.936)	19.328				133.834
Securities and loans receivable	22.809				3.377		26.186
	708.251	(570.936)	19.328	-	3.377	-	160.020
Increase (decrease) in financing liabilities							
Dividends	515.669	(549.164)			416.148	16.943	399.596
Debentures	4.903.545	795.011	60.663		428.502		6.187.721
Loans, financing and debt charges	2.555.252	(483.128)	16.637	1.841	186.515		2.277.117
Treasury shares	(4.738)	(26.791)			(626)		(32.155)
Leases and rentals	-	(28.794)	9.635	4.786	110.938		96.565
Non-controlling shareholders							
Advance for future capital increase – AFAC	1.350				8.650		10.000
Capital	4.634.511				48.205		4.682.716
Advances for future capital increase by non-controlling shareholders	-	(22.000)			22.000		-
	12.605.589	(314.866)	86.935	6.627	1.220.332	16.943	13.621.560
Changes related to financing activities (Financing liabilities (-) Financing assets)	11.897.338	256.070	67.607	6.627	1.216.955	16.943	13.461.540

42.2 Non-cash transactions

In accordance with CPC 03 (R2) - Statement of cash flows, investing and financing transactions not required the use of cash or cash equivalents should not be included in the statement of cash flows.

All investing and financing activities that did not involve cash and, consequently, are not included in any caption of the statement of cash flows are shown below:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Formation of dividends and interest on own capital receivable	385.632	395.739	35.294	22.374
Formation of dividends and interest on own capital payable	358.546	322.952	508.912	394.982
Capitalization of interest on loans and debentures to property, plant and equipment, intangible assets and concession assets.			244.788	118.987
Capitalization in Intangible Assets, in Indemnifiable Intangible asset and Concession assets relating to contingencies			13.597	70.113
Provision for costs of environmental permit in property, plant and equipment and concession assets			17.888	100.924
Capital increase through payment of advance for future capital incre			10.000	1.350
Capital increase in subsidiary through payment of loans	2.100		2.100	
Cash flow hedge			2.113	
Capital increase in subsidiary through payment of advance for future capital increase	138.400	64.559		
Formation of concession right - GSF			388.859	
Provision for suppliers of concession assets			58.238	
Formation of leases and rentals in Property, plant and equipment	(1.239)	7.082	3.798	111.684
Provision for suppliers of concession assets			164.527	240.919
Total	883.439	790.332	1.450.114	1.061.333

43 Subsequent events

43.1 EDP - Energias do Brasil is part of B3's Carbon Efficient Index Portfolio (ICO2 B3)

On January 5, 2021, the Company issued a Notice to the Market informing that it will be part of B3's Carbon Efficient Index ("ICO2") for the first time. The new ICO2 portfolio will be in effect from January 04, 2021 to April 30, 2021 and will be rebalanced every four months, following the IBrX 100 updates. The index gathers 62 actions of 58 companies listed on the B3 stock exchange, which together represent R$ 3.3 trillion in market value.

ICO2 was created in 2010 with the aim of being an instrument to induce discussions on climate change in Brazil. Up to 2019, companies that were members of the IBrX 50 were invited to participate in the process. Starting in 2020, in a process of revising the methodology, B3 started to invite IBrX 100 companies to compose portfolios as from 2021.

The adhesion to ICO2 by EDP - Energias do Brasil reinforces the commitments that the Company had already assumed in June 2020 with the UN initiatives "1.5°C Business Ambition" and "Recover Better" (Note 4.8.2.3), which reiterate its goals in the quest to reduce greenhouse gas emissions and aim to contain the effects of global warming, thus strengthening its commitment to the ethical and sustainable development of its businesses.

43.2 EDP – Energias de Portugal - Board of Directors

On January 19, 2021, the Company issued a Release to the Market informing that, on that date, its parent company EDP - Energias de Portugal, S.A. held its Annual Shareholders' Meeting electing the members that will compose its Executive Board of Directors (CAE) for the 2021–2023 term, having elected Engineer Miguel Stilwell de Andrade as CAE Chairman, Engineer Miguel Nuno Simões Nunes Ferreira Setas, Engineer Rui Manoel Rodrigues Lopes Teixeira, Dr. Vera Pinto Pereira and Dr. Ana Paula Garrido Pina Marques for the aforementioned term of office. The Company will convene a General Shareholders' Meeting and a Board of Directors' Meeting, as applicable, to address the following proposals:

(i) to decide on the appointment, for the current term, of Mr. Miguel Nuno Simões Nunes Ferreira Setas to the position of Chairman of the Board of Directors (replacing Mr. António Luis Guerra Nunes Mexia);

(ii) to decide on the appointment, for the current term, of Mr. João Manuel Veríssimo Marques da Cruz as Company CEO and Vice-Chairman of the Board of Directors;

(iii) to decide on increasing the number of members of the Company's Board of Directors, for the current term of office, from eight to nine members;

(iv) to decide on electing Mr. Rui Manuel Rodrigues Lopes Teixeira (replacing Mr. Miguel Stilwell de Andrade), Ms. Vera Pinto Pereira, and Ms. Ana Paula Garrido Pina Marques for the three vacancies on the Company's Board of Directors that will be deliberated at the Annual Shareholders'

(v) to decide on the amendment to the Company's Articles of Organization to increase the maximum number of Company Officers to six Statutory Officers and to establish the position of Vice-President of ESG (Environmental, Social and Governance).

Company Management records that the strategic guidance remains in place, as approved by its governing bodies, maintaining its commitment to creating value for all its shareholders and the ethical and sustainable development of its businesses.

43.3 Distributors – Covid-Account

On January 27, 2021, ANEEL Order 181 was published, defining the payment terms and the monthly installments of the Energy Development Account (CDE) owed by the distributors within the scope of the "Covid-Account", aiming at the amortization of the credit operation contracted by the Chamber of Commercialization of Electric Energy (CCEE) to help distributors' cash, under the terms of Normative Resolution 885 of 2020 (Note 4.8.1.9). The total monthly charge is approximately R$ 429 million to the distributors that joined the Term of Acceptance of the aforementioned Resolution, and must be paid monthly to the Chamber of Commercialization of Electric Energy (CCEE) starting from the 2021 ordinary tariff process, with payment by the tenth day of the following month.

43.4 EDP – Energias do Brasil - Acquisition of Transmission Line in Maranhão

On February 11, 2021, the Company issued a Release to the Market informing that on February 10, 2021 it signed a purchase and sale agreement with the consortium consisting of IG Distribuição e Transmissão de Energia S.A. and ESS Energias Renováveis LTDA, to acquire 100% of the shares of Mata Grande Transmissora de Energia LTDA ("MGTE").

The consortium won the bidding on Lot 18, in the Auction for Concession of the Public Electricity Transmission Service 002/2018, held by ANEEL on June 28, 2018, with a 23.63% discount over the maximum Permitted Annual Revenue (RAP).

MGTE consists of a 113-km long 230-kV transmission line in the state of Maranhão. The project already has an installation license and is expected to start operating ahead of ANEEL's schedule, in September 2022. The line is near Lots 11 and 7, currently in the final stage of development, which will allow for synergies in construction and operation.

The estimated total investment is R$ 88.5 million, considering the acquisition value and the total Capex, as well as tax benefits. Permitted Annual Revenue (RAP) is R$ 8.4 million, representing a 9.4% RAP/CAPEX ratio. Leverage was estimated at approximately 80%, and MGTE will use the "presumed profit" tax regime. The operation is subject to approval by Brazil's competition regulatory agency (the Administrative Council for Economic Defense–CADE) and the National Electric Energy Agency (ANEEL).

43.5 Distributors - Release of funds and funding

43.5.1 Contracting of loan

On January 15, 2021, the subsidiary EDP Espírito Santo took out an outside loan from the financial institution MUFG Bank Ltd., under the terms of Law 4131/1962, in the total amount of R$ 300,000, for a two-year term, by entering into the "Credit Agreement", at the cost of the CDI rate + 1.13% p.a. The purpose of this issue is to refinance and extending the average debt term and to strengthen working capital.

43.5.2 Issue of Debentures

On February 12, 2021, the subsidiary EDP Espírito Santo held its 10th issue of debentures in the amount of R$ 500,000, with a total term of 4.5 years, interest rate of IPCA + 3.26% p.a., swap to CDI + 1.15% p.a., semiannual interest without a grace period and amortization in a single installment on the maturity date. The purpose of this issue is to finance part of the investments in its concession area.

On February 12, 2021, the subsidiary EDP - São Paulo held its 11th issue of debentures in the amount of R$ 700,000, with a total term of 5 years, interest rate of IPCA + 3.91% p.a., swap to CDI + 1.50% p.a., semiannual interest without a grace period and amortization in two annual installments in the 4th and 5th years. The purpose of this issue is to finance part of the investments in its concession area.

* * *

BOARD OF DIRECTORS

António Luis Guerra Nunes Mexia
President

Miguel Nuno Simões Nunes Ferreira Setas
Vice-President

Miguel Stilwell de Andrade
Board Member

João Manuel Veríssimo Marques da Cruz
Board Member

Modesto Souza Barros Carvalhosa
Board Member

Pedro Sampaio Malan
Board Member

Francisco Carlos Coutinho Pitella
Board Member

Juliana Rozenbaum Munemori
Board Member

TAX COUNCIL

Adir Pereira Keddi
Board Member

Matheus Fernandes Amorim
Board Member

João António de Sousa Araújo Ribeiro da Costa
Board Member

STATUTORY BOARD

Miguel Nuno Simões Nunes Ferreira Setas
President and Director of Investor Relations

Henrique Manuel Marques Faria Lima Freire
Director Vice-President for Finance

João Manuel Brito Martins
Director Vice-President for networks

Luiz Otavio Assis Henriques
Director Vice-President for Generation and Trading

Carlos Emanuel Baptista Andrade
Director Vice-President of Strategy and Business Development

ACCOUNTING

Leandro Carron Rigamontte
Chief Accounting and Asset Management Officer (Corporate)

Laercio Gomes Proença Junior
Accountant - CRC 1SP216218/O-6

A Message from the Management

The year 2020 was, beyond question, branded by the novel coronavirus pandemic. In the face of the impacts endured, we had to act quickly to protect our people and partners, guarantee energy suppliers to our customers, and minimize the impacts on the Company's operational and financial results. Since early March, EDP's actions have been timely, embracing a three-phase strategy called 3R (React; Recover; and Reshape), an effort that enabled recovering from the pandemic's impact on economic and financial performance and reaching yearend with EBITDA at BRL 3.4 billion, up 16% YoY, and BRL 1.5 billion in Net Income, up 12.7%, which are landmark results for the Company.

On Distribution, despite the signs of gradual economic recovery seen in the latter half of the year, the volume of distributed energy was down 4.6% in the fiscal year because of the preventive and social distancing measures adopted nationwide, resulting in manufacturing output retraction, reduced retail sales, and rising unemployment. In the final quarter, however, the volume of distributed energy was up 1.9% versus the same period in the previous year. Still on the Distribution segment, EDP invested BRL 752 million over the course of the year in network upgrades and expansion and loss combat, up 16.2% from the investment made in 2019.

On Transmission, despite the temporary construction stoppage, we were able to resume work in early June and make important gains, such as completion of the last stretch of Lot 11, in the state of Maranhão, in early August, 12 months ahead of the regulatory deadline. We also made headway in the other Lots.

On the Generation segment, we made important progress in connection with the Generation Scaling Factor (GSF). The passing of Law 14.052/20 and Resolution 895/20 enabled hydrological risk renegotiation, which allowed booking BRL 388 million to the Fiscal Year's results, with the extension of our concessions by at least one year on average.

On the Solutions Distributed Solar segment we took important strides. Nine projects were delivered in the year, reinforcing our commitment to expand investments in this market, aligned with the EDP Group's global vision and positioning us as a leading company in the Brazilian electric industry's energy transition. EDP reached yearend 2020 with 65.4 MWp in solar energy projects – 34.5 MWp already installed for customers such as Banco do Brasil, TIM, Claro, Globo and Johnson & Johnson, and 30.8 MWp under development. In December, we executed an investment agreement for Blue Sol Participações S.A. to acquire a stake of up to 40% in the company which operates in the B2C photovoltaic generation segment.

One of the Recovery Plan's main fronts was keeping costs under control. From the early days of the pandemic, we revisited our expenses to control and postpone non-essential spending. As a result, we reached yearend with our recurring PMTO down 3.6%.

I would like to underscore the adjustments to the Dividends Policy and Capital Structure had in August to make value creation clearer to shareholders, with a proposal to pay a minimum BRL 1.00 per share and maintain minimum leverage at 2X Net Debt/EBITDA, with a target in the 2.5X-3.0X range. The Company reached yearend with consolidated leverage, ex- non-cash effects, of 2.4X Net Debt/EBITDA proposing payment of BRL 598.6 million in Dividends and ISE.

Concerning the ESG – Environmental, Social and Governance agenda, we now created a Vice-Presidency to focus on integration of these matters with business, in addition to further increasing integration thereof into decision-making processes. As such, we also reiterate our commitment to the 2030, Agenda, the Sustainable Development Goals, and the Principles of the Global Compact, all of which are initiatives associated with the United Nations Organization (UNO).

2020 was also the second hottest year on record, requiring added emphasis on the climate emergency as the business agenda is concerned. In June, EDP made a pledge to reduce emission, adhering to the Business Ambition for 1.5ºC – Our Only Future, UNO. The Company also adhered to the Recover Better, a global initiative that proposes for Governments and businesses around the world to align their recovery and economic support efforts associated with the Covid-19 crisis, based on the latest climate studies. Also, as concerns the weather, the Science Based Target is worth mentioning. On this front, EDP was the first large electric energy company in Latin America to have its CO2 emissions reduction target approved by climate science.

These new pledges reinforce the internalization of the sustainability strategy into EDP's actions as key factors for the Company's performance and align with our vision of leading the energy transition, electrifying consumption and decarbonizing production.

On the social dimension, over the year we created a Diversity and Inclusiveness Program towards the development of more just, diverse and inclusive organization.

Since the pandemic began, we allocated over BRL 10 million to purchasing respirators and PPE gear for the public healthcare system, to doing electrical work on campaign hospitals, and to the donation of 350 tons of foodstuffs and personal hygiene kits to underserved communities and Native peoples. All told, these initiatives had over 400 thousand beneficiaries across Brazil.

We are glad to report that, for the 15th year in a row, we are part of the B3 Corporate Sustainability Index ("Índice de Sustentabilidade Empresarial" – ISE), and a Benchmark on 5 out of its 7 dimensions (Overall, Social, Environmental, Economic and Product Type), having achieved our best performance so far.

***

Today we begin a new cycle in the life of EDP Brasil, after the General Meeting that approved important changes to the makeup of our Company's Corporate Management Bodies.

I would like to begin by wishing João Marques da Cruz, who was today appointed CEO of EDP Brasil, great success carrying out his new mission, which will be inevitably marked by significant challenges. He will find an extremely competent executive team that I would like to thank for their many years of loyal collaboration, and that is now joined by Fernanda Pires, to whom I also wish the best as Vice-President with the important mission of deepening the ESG agenda.

I am very honored to accept the position as Chairman of the Board, and I will do everything within my power to honor the legacy of close to 15 years of chairmanship by Mr. António Mexia, to whom I would like to profess my great esteem and respect. His contribution to our Company's successful journey is beyond measure.

I extend these thanks to the entire Board of Directors, and in particular to our Independent Directors, who have always been able to find the right balance between maintaining the Company's stability and creating the appropriate conditions for its transformation and growth.

I would also like to note the admission of Rui Teixeira, Vera Pinto Pereira and Ana Paula Marques as Directors of EDP Brasil. I am sure that their membership will be of great value facing the Company's new challenges. We now have 33% female representation, while Brazilian listed companies average just 11%. This is a great source of pride because it is a move towards the improved gender equality that we advocate pursuant to our Diversity and Inclusiveness Program.

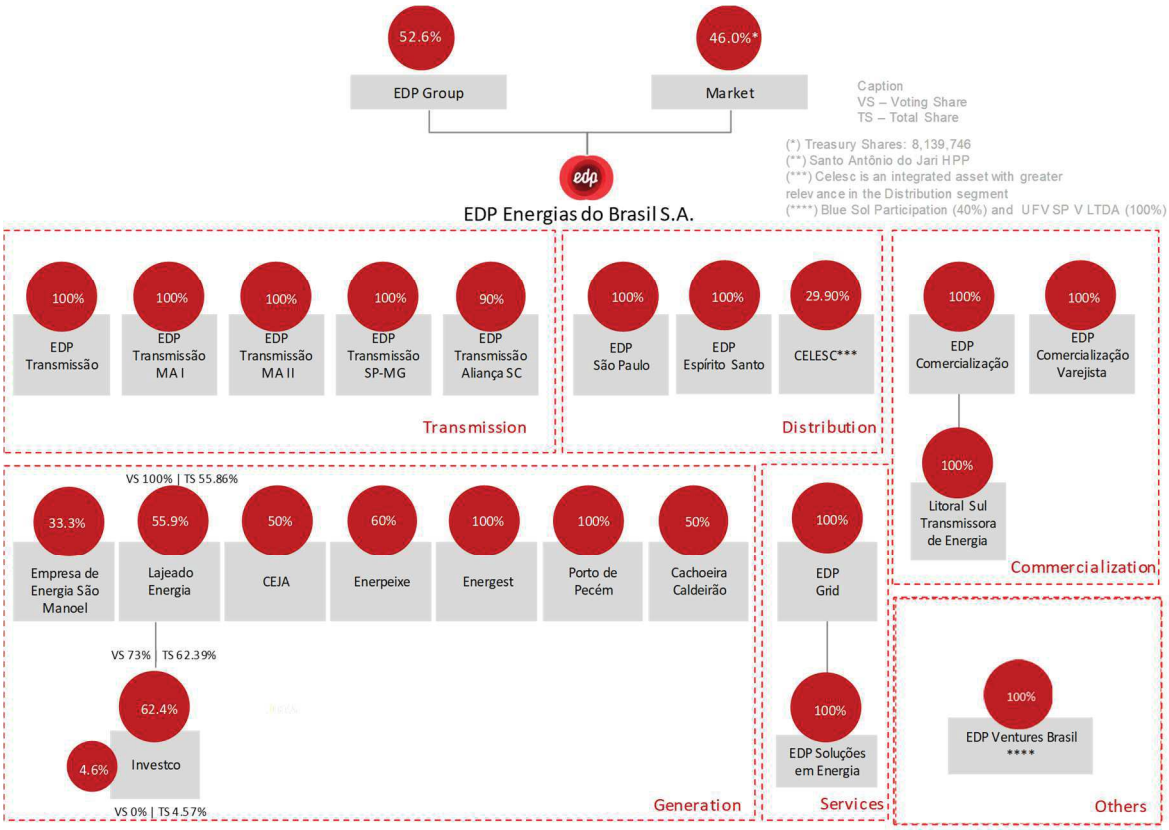
Over the past 7, years, as CEO, I had the privilege of being able to play a role in the development of EDP Brasil. We expanded into new markets, such as transmission and distributed generation. We expanded our geographic presence, with moves such as entry into Santa Catarina with CELESC, into Mato Grosso, Pará, Amapá, Maranhão, Minas Gerais and Rio Grande do Sul, with the construction of three hydroelectric plants (Jari, Cachoeira Caldeirão and São Manuel) and six transmission lots. It has been a very intense and gratifying seven years.

I therefore thank all of EDP's investors, customers, business partners and 3,000-plus employees for the trust they placed in the Company and for their leadership over these years. I reaffirm our firm commitment to keep on creating shared value for all of our stakeholders and for Brazil.

Miguel Setas

1. Corporate Profile And Corporate Organogram

Controlled by EDP Portugal, one of the leading European operators in the energy sector, EDP Energias do Brasil is a holding company which has investments in the segments of Electric Energy Generation, Distribution, Trading, Transmission and Services. In the Generation segment, it controls operations involving plants using conventional sources (hydroelectric plants and one Thermal Power Plant) in 6 Brazilian states (Espírito Santo, Mato Grosso, Tocantins, Ceará, Pará and Amapá) with 2.9 GW in installed capacity. In the Distribution segment, the Company operates with two distributors in the states of São Paulo and Espírito Santo, in addition to holding a 29.90% stake in the equity of Celesc, in the state of Santa Catarina. In the Trading segment, it negotiates energy purchase and sale agreements with clients located throughout Brazil. In the Transmission segment, the Company began operations in 2016 and now has six projects with a total extension of 1,441 km and six substations – of these, 316 are operational and 1,125 km are under construction. In the Services segment it operates through EDP Smart, a brand launched in 2019 that collects the entire portfolio of services provided to corporate and residential customers, with integrated solutions in the area of free-market trading, retail sales, energy efficiency, solar energy, electric mobility, and end-consumer services.



1.1 Equity Changes

In 2020, EDP Brasil acquired 1,753,200 additional preferred shares of Celesc at an average price of R$ 53.85, for a total R$ 94.4 million traded. The Company now holds 6,390,720 preferred shares which, together with 5,140,868 common shares, add up to 11,531,588 shares in the fiscal year, representing 29.90% of Celesc equity capital.

On December 23, the Company, through subsidiary EDP VENTURES BRASIL S.A., executed an investment agreement with Blue Sol Participações S.A., the company active in the distributed solar generation segment. The agreement provides for the purchase of a minority stake of up to 40% of the voting stock, with an option to acquire a controlling interest after three and a half years from the operation's close.

2. Economic and Hydrological Impacts on the Electric Energy Industry

2020 was marked by the novel coronavirus pandemic, whose deep impacts led to an economic downturn as a result of the preventive and social-distancing measures adopted in Brazil, creating a series of economic challenges and changing consumption and production patterns.

Gross Domestic Product (GDP)[1] was down 5.0% YoY in the first nine months of the year. Over the same period, farming grew 2.4%, whereas manufacturing and services were down 5.1% and 5.3%, respectively. From the demand perspective, household consumer spending, government spending, and gross fixed capital formation were down 6.3%, 4.9% and 5.5%, respectively.

1 Source: Instituto Brasileiro de Geografia e Estatística - IBGE. Quarterly National Accounts. Jul-Sep/2020

In the year, the manufacturing[2] posted negative results for all four major categories, 20 out of 26 fields, and 60.6% of 805 products surveyed. The hardest hit category was automotive vehicles, truck beds and truck boxes, down 28.1%. On the other hand, given the social isolation recommendations made to the population, the positive consumption highlights were a 4.2% increase in food products consumption and a 4.4% increase in oil products, biofuels and gas.

Retail – limited[3] was up 1.2%, in the fiscal year, gaining momentum with the gradual reopening of stores and boosted by furniture, and appliances (10.6%), in addition to pharmaceuticals and grooming (8.3%). Retail – comprehensive, which includes cars, motorcycles, parts, and construction materials, the sales volume was down 1.5%. Car sales were posted a 13.7% decrease, while construction materials were up 10.8%.

The jobs market[4] showed a 9.4% decrease in the numbers of the employed as of November 2020. Compared with the previous quarter however, this meant a 4.8% increase in employed persons (+3.9 million), this being the largest increase in the time series, indicating an economic upturn and a recovery in jobs creation.

The energy scenario was marked by the high influence of load in price formation and reduced dispatching from the plants as a result of the pandemic. After the year began with a high PLD because of the late rainy seasons, plunging consumption as a result of pandemic-related restrictions, together with better hydrology, helped reservoir levels to recover. By the end of the rainy season, they were at approximately 60% Stored Energy (Energia Armazenada – EARM), bringing PLD down to the regulatory minimum over the course of April. The low-volatility price scenario lasted until September, when rising consumption, reflecting increasing temperatures and the gradual economic recovery, together with poor hydrology, caused the scenario to reverse, leading to rapid reservoir depletion, the activation of thermal plants, and a spike in PLD, which reached the regulatory ceiling in November. At the end of December, Stored Energy in the reservoirs was 24% and average affluence over the year was 75% of the long-term average (MLT) of Natural Affluent Energy (Energia Natural Afluente – ENA). The scenario influenced the year's average PLD of R$ 176.85/MWh for the SE/CO and R$ 134.42/MWh for the Northeast. Average GSF was 79.9%, with a 61.6% low in November.

3. Regulatory Environment

3.1 Regulatory Changes

As with other segments, the year's regulatory agenda was rife with the pandemic's impacts. First, a regulatory framework had to be built to protect distribution companies from the decrease in demand as a result of preventive and social-distancing measures. As such, the main regulatory efforts pursued solutions for the industry amid a crisis scenario, in addition to measures to enable the pursuit of modernization, as well as addressing specific regulatory matters.

The main topics to cover in the scenario include:

(i) Development of the COVID Account (Conta-COVID)

The Conta-COVID was enacted by Decree 10.350/2020 to provide the electric energy industry with liquidity and relieve consumers from tariff impacts. ANEEL discussed the matter by means of the 1st phase of Public Inquiry 35/2020, leading to the publication of Standardizing Resolution 885/2020. The dynamics of the Conta-COVID were based on the anticipation of Regulatory Assets constituted by the companies that would have been passed on to tariffs, under ordinary circumstances, over a period of 5 years from 2021. A credit operation conducted by a pool of banks led to the pass-through of funds to distribution companies in amount equivalent to the respective Regulatory Asset. The total amount of the Conta-COVID pass-through to EDP's distribution companies was R$ 574 million.

(ii)Pandemic Economic Rebalancing:

In August, ANEEL introduced improvements to the extraordinary tariff revision through phase 2 of Public Inquiry 035/2020, as a proposed economic rebalancing for distribution companies in connection with the pandemic's effects. In December, after analyzing the contributions submitted by industry players, ANEEL resumed discussions of economic rebalancing in phase 3 of the Public Inquiry, presenting improvements to the previously proposed criteria, in addition to the proposed treatment of involuntary exposure to energy over-contracting during the pandemic, and the allocation of the spread on the Conta-COVID loan. Players had until 02/01/2021 to submit new contributions, and ANEEL is expected to regulate the matter in the first half of 2021.

(iii) Treatment of PIS/COFINS tax credits

After a final favorable ruling on the court case, the Federal Revenue granted a request to recognize EDP SP's credits. In March, ANEEL launched Subsidies Proceeding 5/2020 to discuss the treatment of tax credits arising from the court cases at hand. Industry players submitted contributions on the matter during the first half of the year and ANEEL is deciding on the matter. A Public Inquiry is expected to take place in the first half of 2021 to provide a solution. EDP ES was a leader in the provisional and exceptional consideration of anticipating the reversal of tax credits into tariffs, enabling a 4.8% decrease in the tariff impact index.

(iv) Provisional Measure 998/2020

Provisional Measure 998/2020 was enacted in September, introducing measure to relieve consumer tariffs based on the allocation of Research & Development (R&D) funds to tariff affordability via the Energy Development Account (Conta de Desenvolvimento Energético – CDE). In addition, the Provisional Measure aims to carry out topical changes to the electric energy industry's regulatory

2 Source: Instituto Brasileiro de Geografia e Estatística - IBGE. Monthly Physical Industrial Output Survey – Brazil. Dec/2020

3 Source: Instituto Brasileiro de Geografia e Estatística - IBGE. Monthly Commerce Survey – Brazil. Nov/2020

4 Source: Instituto Brasileiro de Geografia e Estatística - IBGE. PNADC – Brazil. Nov/2020

model, such as the gradual termination of tariff subsidies for Incentivized Sources, increased subsidies for the Fossil Fuels Consumption Account (Conta de Consumo de Combustíveis Fósseis - CCC), the potential to contract power (capacity), reinforced rules for retail trading, giving CNPE responsibility over authorization to grant exploration rights over the Angra 3 Nuclear Thermal Plant (UTN) 3 and define the price of its energy. Senate approved the Provisional Measure on February 5, and the Bill was remanded to the President of the Republic for enactment or veto.

(v) Expected Solution for GSF

In September, the Official Print published Law 14.052/20, which provides the legal basis for renegotiating the GSF in the ACL, launching the ANEEL regulation phase. On December 1, 2020, as a result of the Public Inquiry, the Board of ANEEL approved regulations governing the matter. As the accepted contributions require improvements to the CCEE calculation process, ANEEL provided a period of 90 days – from publication of the Resolution – for the CCEE to update and submit reproducibility data and new financial amounts, to be followed by periods for the publication of the regulatory asset per player and respective requests for adhesion to the renegotiations. After this phase, acceptance of the proposal will imply generation companies refraining from challenging the matter in court and removing themselves as co-plaintiffs in the APINE Lawsuit, with the ensuing payment of amounts currently under injunctive protection. The process is in its final stages and the Company awaits ANEEL certification of the official amount to settle the injunction on the Short-Term Market (Mercado de Curto Prazo – MCP) and proceed with the final adhesion steps for the renegotiation. The Company, meanwhile, has already recognized R$ 388.9 million in the year's income.

(vi) Hourly PLD

Implementation of hourly prices for the short-term market became effective in January 2021. Over the course of 2020, operation with semi-hourly dispatching from hydro and thermal plants was adopted for informational and testing purposes, without effective application to the pricing process, so that the new pricing system and its results could be routinely polished for the electric energy industry's players. The Company prepared over the year to implement hourly prices, enabling new tools to monitor consumption and forecast energy prices, improving its risk and volatility methods and offering value-added solutions and products to clients through EDP Smart and relationships with free-market customers.

(vii) Distributed Generation Incentives

Distributed Generation (Geração Distribuída – GD) incentives did not make significant headway in 2020, despite the discussions held under ANEEL Public Inquiry 25/2019 and Bills in Congress establishing guidelines for GD policy consolidation. In December 2020, the Federal Audit Court (TCU) published an opinion requiring the relevant authorities to indicate the way for the removal of subsidies and the definition of the GD policy. In addition, the National Energy Policy Council (Conselho Nacional de Política Energética – CNPE) issued a Resolution containing the guiding principles of the new GD policy, emphasis being due on respecting the previous rules' stability, a gradual transition to new regulations, grid compensation, and transparent subsidies. The Distributed Generation topic is expected to show more significant progress in 2021.

4. CONSOLIDATED RESULTS

Items in R$ Thousand or %	Hydro Generation	Thermal Generation	Distribution	Consolidated Commerc.	Transmission	Holding	Others[2]	Eliminations	Consolidated[3]
	2020	2020	2020	2020	2020	2020	2020	2020	2020
Net Revenue[1]	**1,237,424**	**1,745,036**	**7,721,473**	**4,073,298**	**387,900**	**2,826**	**87,113**	**(2,047,386)**	**13,207,684**
Infrasctructure Construction Revenue	-	-	751,896	-	1,020,786	-	-	-	1,772,682
Transmission Construction Margin	-	-	-	-	3,434	-	-	-	3,434
Non-Manageable Expenditures	**(24,132)**	**(1,055,184)**	**(5,487,301)**	**(3,849,097)**	**-**	**-**	**(8,429)**	**2,042,534**	**(8,381,609)**
Gross Margin	**1,213,292**	**689,852**	**2,234,172**	**224,201**	**391,334**	**2,826**	**78,684**	**(4,852)**	**4,829,509**
Manageable Expenditures	**(199,166)**	**(301,585)**	**(2,062,815)**	**(36,245)**	**(1,042,621)**	**(100,527)**	**(82,471)**	**(43,450)**	**(3,868,880)**
PMTO	**(69,686)**	**(109,276)**	**(973,250)**	**(34,169)**	**(21,292)**	**(77,879)**	**(75,258)**	**7,012**	**(1,353,798)**
Gain and Loss on the Deactivation and Asset Sale	58	673	(88,844)	-	-	(5,704)	(42)	9	(93,850)
Gain and Losses on Alienation of Property	-	-	-	-	-	-	-	-	-
EBITDA	**1,143,664**	**581,249**	**1,172,078**	**190,032**	**370,042**	**(80,757)**	**3,384**	**2,169**	**3,381,861**
Depreciation and Amortization	(129,538)	(192,982)	(248,825)	(2,076)	(552)	(16,944)	(7,171)	(50,462)	(648,550)
Result of Statutory Participation	(2,064)	-	-	(10,573)	-	1,696,483	-	(1,603,886)	79,960
Net Financial Result	(214,395)	(80,552)	(25,381)	3,303	(35,707)	(92,981)	(5,547)	-	(451,260)
Income Tax and Social Contribution	(229,646)	(12,777)	(241,341)	(66,318)	(113,814)	2,216	(1,336)	14,925	(648,091)
Net Income Before Minority Interests	**568,021**	**294,938**	**656,531**	**114,368**	**219,978**	**1,508,017**	**(10,670)**	**(1,637,263)**	**1,713,920**
Minority Interests	(197,767)	-	-	-	**(8,136)**	-	-	-	(205,903)
Net Income	**370,254**	**294,938**	**656,531**	**114,368**	**211,842**	**1,508,017**	**(10,670)**	**(1,637,263)**	**1,508,017**

Items in R$ Thousand or %	Hydro Generation	Thermal Generation	Distribution	Consolidated Commerc.	Transmission	Holding	Others[2]	Eliminations	Consolidated[3]
	2019	2019	2019	2019	2019	2019	2019	2019	2019
Net Revenue[1]	**1,676,053**	**1,983,919**	**7,591,529**	**3,895,943**	**163,956**	**4,634**	**65,848**	**(2,825,046)**	**12,556,836**
Infrasctructure Construction Revenue	-	-	646,934	-	1,942,913	-	-	-	2,589,847
Transmission Construction Margin	-	-	-	-	81,653	-	-	-	81,653
Non-Manageable Expenditures	**(816,650)**	**(1,364,522)**	**(5,337,867)**	**(3,777,226)**	**-**	**-**	**(7,990)**	**2,824,750**	**(8,479,505)**
Gross Margin	**859,403**	**619,397**	**2,253,662**	**118,717**	**245,609**	**4,634**	**57,858**	**(296)**	**4,158,984**
Manageable Expenditures	**(212,805)**	**(294,476)**	**(1,784,104)**	**(22,706)**	**(1,956,371)**	**(86,534)**	**(51,902)**	**(47,621)**	**(4,456,519)**
PMTO	**(79,462)**	**(102,723)**	**(820,736)**	**(21,277)**	**(13,238)**	**(66,755)**	**(47,486)**	**296**	**(1,151,381)**
Gain and Loss on the Deactivation and Asset Sale	(1,743)	(1,223)	(82,041)	(8)	-	(2,417)	27	(6,043)	(93,448)
EBITDA	**778,198**	**515,451**	**1,350,885**	**97,432**	**232,371**	**(64,538)**	**10,399**	**(6,043)**	**2,914,155**
Depreciation and Amortization	(131,600)	(190,530)	(234,393)	(1,421)	(218)	(17,362)	(4,443)	(41,876)	(621,843)
Result of Statutory Participation	45,660	-	-	(6,737)	-	1,446,997	-	(1,417,772)	68,148
Net Financial Result	(131,549)	(95,488)	(160,476)	3,236	(17,081)	(26,123)	(5,699)	-	(433,180)
Income Tax and Social Contribution	(94,730)	(42,695)	(217,654)	(30,944)	(72,944)	(1,118)	(2,530)	17,790	(444,825)
Net Income Before Minority Interests	**465,979**	**186,738**	**738,362**	**61,566**	**142,126**	**1,337,856**	**(2,273)**	**(1,447,899)**	**1,482,455**
Minority Interests	(141,808)	-	-	-	(2,791)	-	-	-	(144,599)
Net Income	**324,171**	**186,738**	**738,362**	**61,566**	**139,335**	**1,337,856**	**(2,273)**	**(1,447,899)**	**1,337,856**

Items in R$ Thousand or %	Hydro Generation	Thermal Generation	Distribution	Consolidated Commerc.	Transmission	Holding	Others[2]	Eliminations	Consolidated[3]
	Var	Var	Var	Var	Var	Var	Var.	Var	Var
Net Revenue[1]	**-26.2%**	**-12.0%**	**1.7%**	**4.6%**	**136.6%**	**-39.0%**	**32.3%**	**-27.5%**	**5.2%**
Infrasctructure Construction Revenue	n.d.	n.d.	16.2%	n.d.	-47.5%	n.d.	n.d.	n.d.	-31.6%
Transmission Construction Margin	n.d.	n.d.	n.d.	n.d.	-95.8%	n.d.	n.d.	n.d.	-95.8%
Non-manageable Expenditures	**-97.0%**	**-22.7%**	**2.8%**	**1.9%**	**n.d.**	**n.d.**	**5.5%**	**-27.7%**	**-1.2%**
Gross Margin	**41.2%**	**11.4%**	**-0.9%**	**88.9%**	**59.3%**	**-39.0%**	**36.0%**	**1539.2%**	**16.1%**
Manageable Expenditures	**-6.4%**	**2.4%**	**15.6%**	**59.6%**	**-46.7%**	**16.2%**	**58.9%**	**-8.8%**	**-13.2%**
PMTO	**-12.3%**	**6.4%**	**18.6%**	**60.6%**	**60.8%**	**16.7%**	**58.5%**	**2268.9%**	**17.6%**
Gain and Loss on the Deactivation and Asset Sale	n.d.	n.d.	8.3%	-100.0%	n.d.	136.0%	n.d.	-100.1%	0.4%
EBITDA	**47.0%**	**12.8%**	**-13.2%**	**95.0%**	**59.2%**	**25.1%**	**-67.5%**	**-135.9%**	**16.0%**
Depreciation and Amortization	-1.6%	1.3%	6.2%	46.1%	153.2%	-2.4%	61.4%	20.5%	4.3%
Result of Statutory Participation	n.d.	n.d.	n.d.	56.9%	n.d.	17.2%	n.d.	13.1%	17.3%
Net Financial Result	63.0%	-15.6%	-84.2%	2.1%	109.0%	255.9%	-2.7%	n.d.	4.2%
Income Tax and Social Contribution	142.4%	-70.1%	10.9%	114.3%	56.0%	n.d.	-47.2%	-16.1%	45.7%
Net Income Before Minority Interests	**21.9%**	**57.9%**	**-11.1%**	**85.8%**	**54.8%**	**12.7%**	**369.4%**	**13.1%**	**15.6%**
Net Income	**14.2%**	**57.9%**	**-11.1%**	**85.8%**	**52.0%**	**12.7%**	**369.4%**	**13.1%**	**12.7%**

[1] Excludes construction revenues. [2] Includes Services and Ventures. [3] Considering group intercompany elimination.

4.1 Gross Margin

Gross Margin was up 16.1%, reflecting:

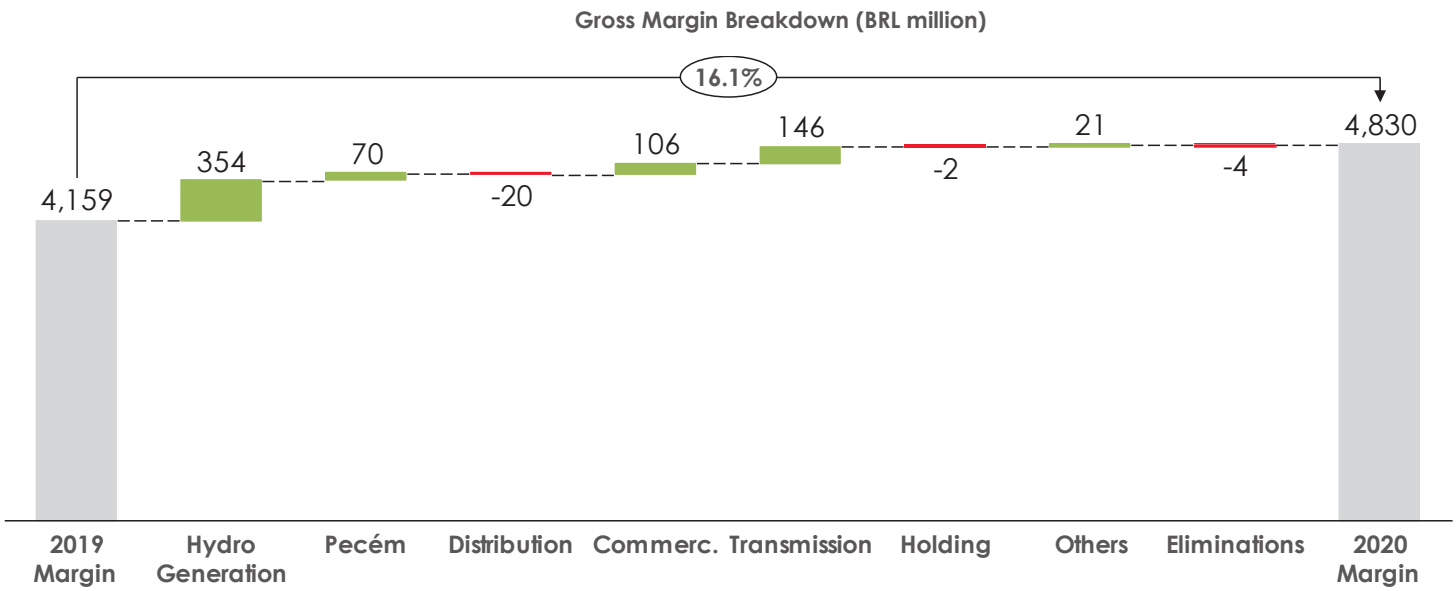
(i) **Distribution:** down BRL 19.5 million, due to the positive effect had in 2019, when the Company booked the VNR arising from the tariff revisions of both distribution companies (BRL 156.3 million). Ex- this effect, gross margin would have been up 7.0%, due to tariff adjustments at both distribution companies (tariff effect), in addition to the boking of other additional revenues, such as grid sharing;

(ii) **Transmission:** up BRL 145.7 million, due to the effects of concession assets' restatement, reflecting IFRS rules;

(iii) **Pecém:** up BRL 70.5 million, due to the expiration of the ADOMP balance, the increased efficiency of the coal procurement strategy, and the restatement of the annual fixed revenue, had in November; partly offset by 2019's higher ancillary services revenues;

(iv) **Trading Co.:** up BRL 105.5 million, due to long-term operations accounted for by mark-to-market considering a 4-year horizon and based on energy prices in accordance with Decid; and

(v) **Hydro:** up BRL 353.9 million, reflecting adhesion to the ACL hydrological risk renegotiation, leading to booking BRL 388.9 million. Ex-this effect, gross margin would have been down 4.1%, due to the following effects: (i) lower PLD in the year, reflecting the lower demand as a result of isolation measures recommended in connection with the pandemic and the economic downturn; and (ii) decrease in bilateral agreements, in addition to lower secondary energy in the first quarter of the year.



Note: Gross Margin for the Transmission segment relates to Revenue from the Indemnifiable Concession Asset.

4.2 Manageable Expenditures

Since 2015, the Company has been working with the Zero-Base Budget ("OBZ") program, whose strategic focus provides an efficient trajectory of control and management of expenses, even in pandemic periods with the new coronavirus, reiterating its commitment to growth below the inflation.

The recurring PMTO was BRL 1.068.6 million, down 3.6%, keeping expenses below inflation.

The year was marked by the effects of the novel coronavirus pandemic and, despite the ever-present challenges, the Company was able to maintain its efficiency measures and improvements on several processes, such as: (i) optimized maintenance spending on thermal; (ii) reduction and postponement of expenditures on power plants; (ii) reduction of lease expenses; (iii) reduction of travel expenses; (iv) increased process digitalization, particularly as concerns service channels, leading to a material increase in digital service tools; and (v) reduced overtime, in addition to other measures. The Company stood by the pledge it took during the pandemic of not terminating personnel or cutting wages.

	2020	2019	Var
PMTO	**(1,162,390)**	**(994,205)**	**16.9%**
Actuarial report - post-employment benefit	-	(134,434)	-100.0%
IFRS 16 Aaccountability (Rental)	(26,709)	(22,484)	18.8%
New Businesses[1]	61,684	46,620	32.3%
PIS/COFINS Credit	(10,694)	(21,842)	-51.0%
Pecém Maintenance	9,039	-	n.a.
Materials Equipment Safety (COVID-19)	21,879	-	n.a.
Costs With Associated Rev enue	38,547	17,337	122.3%
Recurrent PMTO	**(1,068,644)**	**(1,109,008)**	**-3.6%**

[1] B2C, Solar, Transmission, EDP Varejista, EDP Ventures, EDP GRID and Soluções.

Items in R$ Thousand or %	Consolidated		
	2020	2019	Var
Personnel	(523,230)	(376,929)	38.8%
Material	(86,038)	(63,696)	35.1%
Third-Party Serv ices	(469,707)	(472,376)	-0.6%
Prov ision	(191,408)	(157,176)	21.8%
Other	(83,415)	(81,204)	2.7%
PMTO	**(1,353,798)**	**(1,151,381)**	**17.6%**
PMTO (Excluding Provisions)	**(1,162,390)**	**(994,205)**	**16.9%**
Gain/Loss on the Deactiv ation/Asset Sale	(93,850)	(93,448)	0.4%
Infrastructure Construction Costs	(1,772,682)	(2,589,847)	-31.6%
Depreciation and Amortization	(648,550)	(621,843)	4.3%
Manageable Expenditures	**(3,868,880)**	**(4,456,519)**	**-13.2%**

The main items impacting PMTO were:

(i) Personnel – up 38.8% (-BRL 146.3 million), reflecting the 2019 effects, when BRL 137.2 million were recognized due to the adjustment to the actuarial expert report for EDP ES and Energest as a result of the healthcare provider change (pursuant to footnote 27 of

the 2019 financials). Ex- this effect, the line would have been up 1.7% (-BRL 8.6 million), partially offset by the overtime reduction plan;

(i) Material – up 35.1% (-BRL 22.3 million), due to the delivery of two energy efficiency projects of EDP Soluções (expense incurred upon project billing and delivery); in addition to higher expenses with protective equipment related to the pandemic (masks, alcohol gel and cleaning products). In addition, in 2019, PIS/COFINS credit accounting in Pecém had a positive impact on the balance for that period;

(ii) Third-Party Services – down 0.6% (+BRL 2.7 million), due to the lower expenses linked to the maintenance of Pecém and the distributors due to the pandemic, in addition to the renegotiation of contracts. They negatively impacted the result in the year, the additional expenses due to the pandemic (masks, alcohol gel, cleaning products, legal fees); and

(iii) Other – up 2.7% (-BRL 2.2 million), reflecting the 2019 effect of the booking of the adjustment to the sale agreement for EDP SHP (increased physical guarantee), in addition to donations made to fight the pandemic. The effect was mitigated by an insurance refund and travel priorities due to the pandemic had a positive effect on the line.

The **Provisions** account was up 21.8%, more specifically on the PECLD line, which will be discussed in-depth in the Distribution chapter.

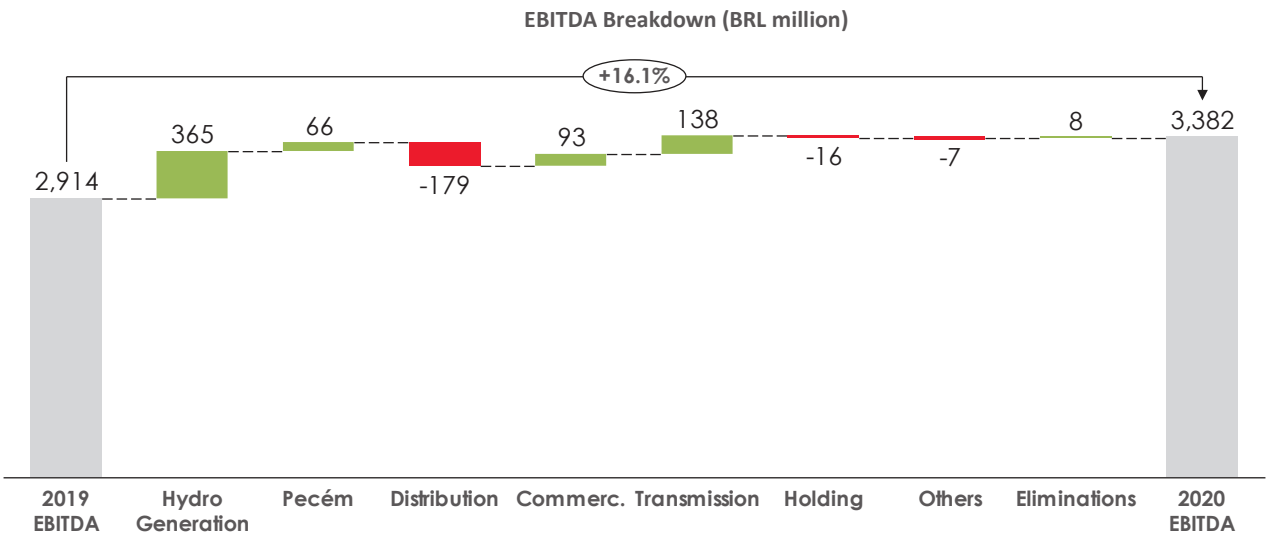
The **Depreciation and Amortization** account was up 4.3%.

4.3 Results From Minority Stakes

Items in R$ Thousand or %	2020	2019	Var
Santo Antônio do Jari (50%)[1]	38,369	39,966	-4.0%
Cachoeira Caldeirão (50%)[1]	(13,607)	(11,938)	14.0%
São Manoel (33.33%)[1]	(26,825)	(4,406)	508.8%
Celesc (29.90%)[1]	92,382	46,500	98.7%
Others[2]	(10,358)	(1,974)	424.7%
Results from Minority Stakes	**79,960**	**68,148**	**17.3%**

[1] Considers stakes in the assets and, in the case of Celesc, equity income relies on financial statements lagged one quarter from the date of the Company's financial statements preceding the subsidiary's disclosures calendar; [2]Considers equity income from Pecém TM, Pecém OM and Mabe. ON the as-of date of the present statement, EDP's stake in was 29.90%.

4.4 EBITDA



Note: Booking of the Transmission segment's results is in line with ICPC 01, IFRIC12

Pursuant to CVM 527, EBITDA adjusted for equity income was BRL 3.5 billion, up 16.1%.

4.5 Financial Result

Financial Results (R$ Thousand)	Consolidated		
	2020	2019	Var
Financial Revenue	**396,572**	**758,417**	**-47.7%**
Interest and Monetary Variation	449,661	850,480	-47.1%
Usuge of Public Good	-	-	n.a.
Hedge and Swap Operations	7,887	16,579	n.a.
Gain with Investment Acquisition	-	7,757	n.a.
Variações em moeda estrangeira	4,829	617	682.7%
Adjustments to Present Value	2,474	2,679	-7.7%
(-) Capitalized Interests	(24,944)	(63,723)	-60.9%
(-) Taxes on Financial Income	(49,109)	(60,989)	-19.5%
Other Financial Revenues	5,774	5,017	15.1%
Financial Expenditures	**(847,832)**	**(1,191,596)**	**-28.8%**
Debt Charges	(400,426)	(530,407)	-24.5%
Interest and Monetary Variations	(375,734)	(623,659)	-39.8%
Variations in Foreign Currency	(22,742)	(6,768)	n.a.
Swap and Hedge Operations	(2,472)	-	n.a.
Adjustments to Present Value	(905)	(732)	23.6%
(-) Capitalized Interests	74	689	n.a.
Other Financial Expenditures	(45,627)	(30,719)	48.5%
Total	**(451,260)**	**(433,179)**	**4.2%**

Financial Revenues were down 47.7%, due to:

(i) A decrease in the interest and monetary variations line arising from: (i) a balance recognized in 4Q19 in the Interest and Penalties on taxes line, due to the non-inclusion of PIS and COFINS at EDP SP, with no effect on results as this is offset by financial expenses; and (ii) a decrease in financial investments income due to the lower CDI. These effects were mitigated by the booking of BRL 163.5 million due to the interest and penalties arising from the payment of late bills in distribution; and

(ii) A decrease in capitalized interest, reflecting the capitalization of the return on financial investments had from the funding of transmission lines and the lower CDI interest rate

Financial Expenses were down 28.8%, due to:

(i) Higher capitalized interest, reflecting the capitalization of the return on financial investments had from the funding of transmission lines, mitigated by the increase in the debt charges line because of the higher outstanding debt. In addition, the debt charges line associated with loans and debenture was down 3.7%, reflecting the lower debt indices (CDI and TJLP); and

(ii) A decrease in interest and monetary variations, mainly in the sectoral financial assets/liabilities line, due to the recognition of the non-inclusion of ICMS in the PIS and COFINS taxable base, booked in 4Q19 at EDP SP, in addition the change in balance also arises from the booking of the non-inclusion of ICMS in the PIS and COFINS taxable base at EDP ES in 2Q19, as explained in the financial revenues title, mitigated by the adjustments to UBP and GS, which are pegged to the IGP-M.

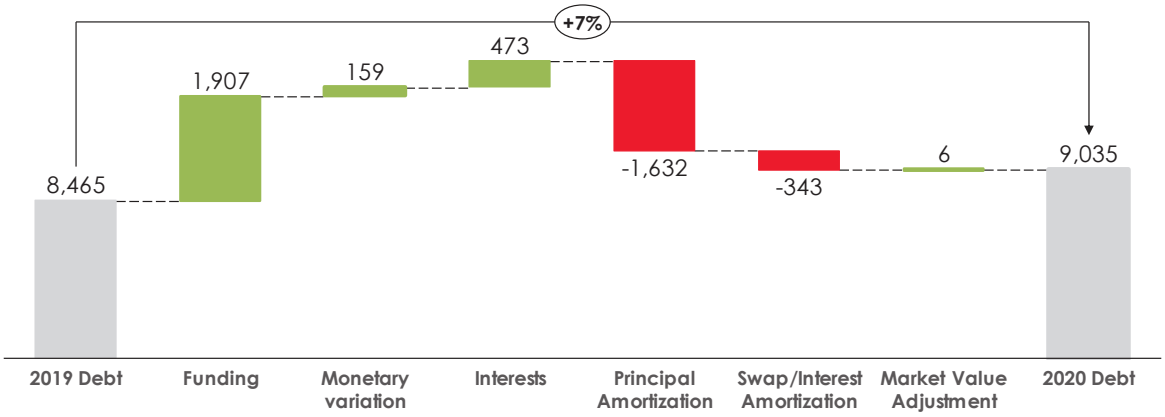
4.6 Net Income

Net Income was BRL 1.5 billion, up 12.7%, resulting from the aforementioned effects, in addition to the positive result of equity interests.

4.7 Debt

The Company reached yearend with BRL 9.0 billion in Gross Debt, ex- the debts of unconsolidated assets, which amounted to BRL 1.3 billion.

Consolidated Gross Debt Breakdown (BRL million)

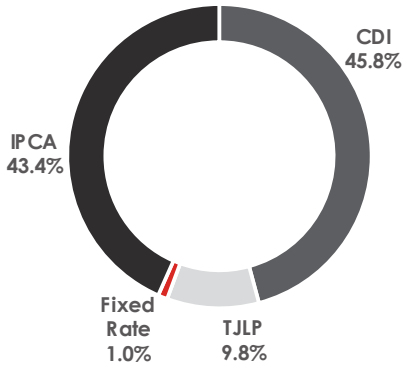


Note: Funding includes transaction costs incurred with debenture issues

The average cost of debt at yearend was 6.9% p.a., from 8.4% p.a. at yearend 2019, considering capitalized interest on debt and charges incurred. The change in average cost reflects the period's decrease in the CDI and TJLP. Average debt maturity reached 3.8 years. Considering the debt of companies where the Company has an equity stake, average maturity would be 4.5 years and the average cost would be 6.9% p.a..

The consolidated assets' Net Debt-to-EBITDA ratio was 1.8X and 2.0X, considering stakes in Jari, Cachoeira Caldeirão and São Manoel. Ex- non-cash effects of the past 12 months, the Net Debt-to-EBITDA ratio would be 2.4 times.

Gross Debt by Index as at 12/31/2020

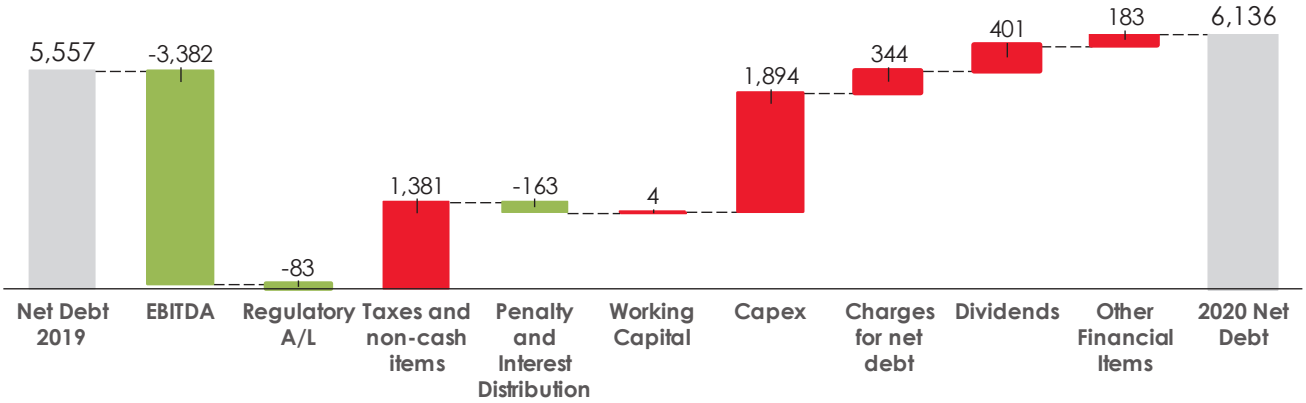


4.8 Operational Cash Flow, Net Debt And Leverage

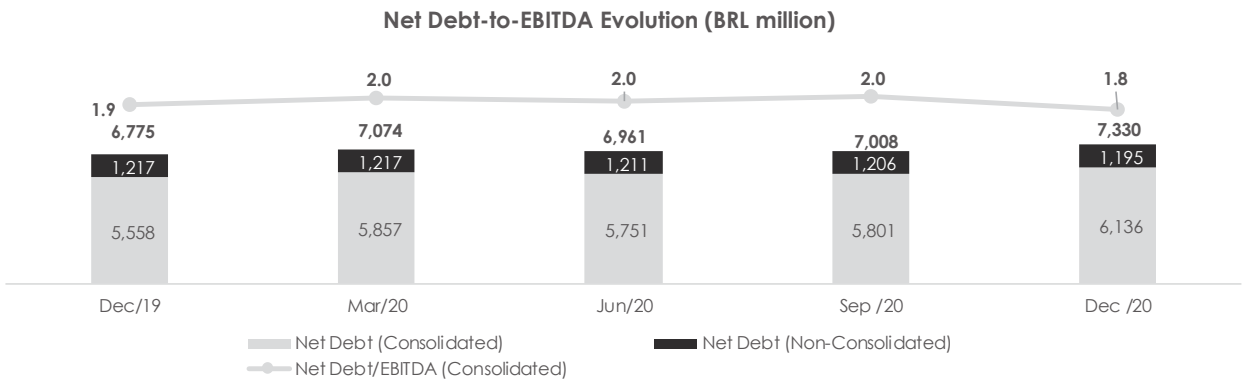
Net Debt, considering the period's operational cash generation and outlays, was BRL 6.1 billion, up 10.4% from 2019.

In March, when the pandemic was gaining momentum in Brazil, the Company anticipated liquidity protection initiatives, raising funds by means of debt issues to reinforce its cash position. In the quarter, the Company raised BRL 316.5 million in a 4131 deal for EDP Transmissão SP-MG, and received two BNB disbursements for EDP Transmissão MA I and EDP Transmissão MA II. In the year, total funds raised amounted to BRL 1.9 billion.

Net Debt Evolution (BRL million)



The consolidated assets' Net Debt-to-EBITDA ratio was 1.8X and 2.0X, considering stakes in Jari, Cachoeira Caldeirão and São Manoel. Ex- non-cash effects of the past 12 months, the Net Debt-to-EBITDA ratio would be 2.4 times.



Note: Considers EDP's proportional stake in unconsolidated projects. Cash considers cash, securities and the security deposit associated with funding for the Santa Catarina Transmission Line.

4.9 Ratings

	Moody's		S&P		Fitch	
	National	Global	National	Global	National	Global
EDP Energias do Brasil	Aa2.br	Ba2	-	-	AAA(bra)	-
	Stable		-		Stable	
EDP São Paulo	Aa1.br	Ba2	brAAA	-	-	-
	Stable		Stable		-	
EDP Espírito Santo	Aa1.br	Ba2	brAAA	BB-	-	-
	Stable		Stable		-	
Lajeado Energia	Aa2.br	Ba2	-	-	-	-
	Stable		-		-	

4.10 Variation in Fixed Assets

The variation in fixed assets decreased 32.8%, aiming at preserving cash during the pandemic.

Total			
Capex (R$ Thousand)	2020	2019	Var
Distribution	**751,896**	**646,933**	**16.2%**
EDP São Paulo	367,321	328,973	11.7%
EDP Espírito Santo	384,575	317,960	21.0%
Generation	**58,523**	**79,711**	**-26.6%**
Enerpeixe	7,061	4,652	51.8%
Energest	12,289	5,112	140.4%
Lajeado / Investco	7,228	20,869	-65.4%
Pecém	31,945	49,078	-34.9%
Transmission	**1,020,786**	**1,942,913**	**-47.5%**
Others	**62,564**	**148,655**	**-57.9%**
Total	**1,893,770**	**2,818,212**	**-32.8%**

On Distribution, investments were BRL 751.9 million[5] in the quarter, up 16.2%, due to investments in grid upgrades (equipment replacement), expansion works (substations and distribution grids for new customer connections), telecommunications and IT, and loss combat-related projects.

In Generation, the 26.6% decreases, are due to lower investments in Pecém and Lajeado because of greater allocation of funds to plant upgrades in 2019. In addition, Lajeado's operating license was renewed in 4Q19. On the other hand, increased investment in Enerpeixe and Energest arises from ongoing upgrade projects.

On Transmission, investment was down 47.5%, due to the construction works calendar concentration in 2019. In addition, the 2-month construction works stoppage caused by the pandemic led to the postponement of some investments to 2021. It is worth emphasizing that, despite the stoppages, the projects lead over the ANEEL deadlines was not affected.

In other segments (Holding, Services and Grid), investments were BRL 62.6 million, with particular emphasis on investment in new energy efficiency projects, technology, and new business development.

5 Net of special obligations and overrun revenues.

Considering the investment according to the Company's participation in the hydro generation projects in Jari, Cachoeira Caldeirão and São Manoel, investments were BRL 1.9 billion.

Capex (R$ Thousand)	2020	2019	Var
Distribution	**751,896**	**646,933**	**16.2%**
Generation	**74,035**	**89,521**	**-17.3%**
Genaration Others	58,523	79,711	-26.6%
Santo Antonio do Jari HPP[1]	2,699	1,123	140.4%
Cachoeira Caldeirão HPP[1]	3,973	2,459	61.6%
São Manoel HPP[2]	8,840	6,228	41.9%
Transmission	**1,020,786**	**1,942,913**	**-47.5%**
Others	**62,564**	**148,655**	**-57.9%**
Total	**1,909,281**	**2,828,022**	**-32.5%**

[1] Considers EDP participation = 50,0%
[2] Considers EDP participation = 33,3%

5. Business Areas

5.1 Distribution

EDP Distribution						
	Volume (MWh)			Consumers (unit)		
	2020	2019	Var	2020	2019	Var
Residential	**6,561,800**	**6,317,972**	**3.9%**	**3,080,991**	**3,010,399**	**2.3%**
Industrial	**10,510,021**	**11,238,347**	**-6.5%**	**24,287**	**24,586**	**-1.2%**
Free	9,104,583	9,519,835	-4.4%	646	537	20.3%
Captive	1,405,439	1,718,512	-18.2%	23,641	24,049	-1.7%
Commercial	**3,846,575**	**4,310,777**	**-10.8%**	**265,484**	**261,144**	**1.7%**
Free	994,854	993,603	0.1%	633	484	30.8%
Captive	2,851,721	3,317,173	-14.0%	264,851	260,660	1.6%
Rural	**930,731**	**1,005,076**	**-7.4%**	**201,139**	**199,886**	**0.6%**
Others	**1,974,193**	**2,116,034**	**-6.7%**	**28,908**	**28,444**	**1.6%**
Free	343,146	317,929	7.9%	17	11	54.5%
Captive	1,631,047	1,798,105	-9.3%	28,891	28,433	1.6%
Permissionary	**48,348**	**45,218**	**6.9%**	**-**	**-**	**-**
Concessionaries\Generation	**549,513**	**558,069**	**-1.5%**	**-**	**-**	**-**
Total Energy Distributed	**24,421,182**	**25,591,493**	**-4.6%**	**3,600,809**	**3,524,459**	**2.2%**
Free - Total	10,992,096	11,389,437	-3.5%	1,296	1,032	25.6%
Captive - Total	13,429,086	14,202,056	-5.4%	3,599,513	3,523,427	2.2%

EDP São Paulo						
	Volume (MWh)			Consumers (unit)		
	2020	2019	Var	2020	2019	Var
Residential	**4,058,657**	**3,836,965**	**5.8%**	**1,810,472**	**1,770,287**	**2.3%**
Industrial	**6,886,220**	**7,257,126**	**-5.1%**	**13,788**	**13,517**	**2.0%**
Free	5,955,261	6,075,856	-2.0%	431	356	21.1%
Captive	930,960	1,181,270	-21.2%	13,357	13,161	1.5%
Commercial	**2,334,730**	**2,631,130**	**-11.3%**	**136,025**	**133,094**	**2.2%**
Free	630,760	650,541	-3.0%	356	266	33.8%
Captive	1,703,971	1,980,589	-14.0%	135,669	132,828	2.1%
Rural	**61,892**	**79,381**	**-22.0%**	**5,293**	**4,912**	**7.8%**
Others	**1,143,418**	**1,225,622**	**-6.7%**	**14,898**	**14,441**	**3.2%**
Free	328,825	317,929	3.4%	11	11	0.0%
Captive	814,593	907,693	-10.3%	14,887	14,430	3.2%
Permissionary	**48,348**	**45,218**	**6.9%**	**-**	**-**	**-**
Concessionaries\Generation	**364,877**	**353,973**	**3.1%**	**-**	**-**	**-**
Total Energy Distributed	**14,898,143**	**15,429,414**	**-3.4%**	**1,980,476**	**1,936,251**	**2.3%**
Free - Total	7,279,723	7,398,300	-1.6%	798	633	26.1%
Captive - Total	7,618,421	8,031,115	-5.1%	1,979,678	1,935,618	2.3%

EDP Espírito Santo						
	Volume (MWh)			Consumers (unit)		
	2020	2019	Var	2020	2019	Var
Residential	**2,503,143**	**2,481,008**	**0.9%**	**1,270,519**	**1,240,112**	**2.5%**
Industrial	**3,623,801**	**3,981,221**	**-9.0%**	**10,499**	**11,069**	**-5.1%**
Free	3,149,322	3,443,979	-8.6%	215	181	18.8%
Captive	474,479	537,242	-11.7%	10,284	10,888	-5.5%
Commercial	**1,511,845**	**1,679,646**	**-10.0%**	**129,459**	**128,050**	**1.1%**
Free	364,094	343,062	6.1%	277	218	27.1%
Captive	1,147,750	1,336,585	-14.1%	129,182	127,832	1.1%
Rural	**868,839**	**925,695**	**-6.1%**	**195,846**	**194,974**	**0.4%**
Others	**830,775**	**890,412**	**-6.7%**	**14,010**	**14,003**	**0.0%**
Free	14,321	-	-	6	-	-
Captive	816,454	890,412	-8.3%	14,004	14,003	0.0%
Concessionaries\Generation	**184,636**	**204,096**	**-9.5%**	**-**	**-**	**-**
Total Energy Distributed	**9,523,038**	**10,162,079**	**-6.3%**	**1,620,333**	**1,588,208**	**2.0%**
Free - Total	3,712,374	3,991,137	-7.0%	498	399	24.8%
Captive - Total	5,810,665	6,170,942	-5.8%	1,619,835	1,587,809	2.0%

The distributed energy volume was down 4.6%.

In the year, the Company registered an increase of 2.2% in the number of clients. The number of free clients was up 25.6% (165 clients at EDP SP and 99 clients at EDP ES) because of captive clients migrating to the free market.

Distribution Energy Balance (MWh)

Out of the total required energy, 57.6% were allocated to EDP SP and 42.4% to EDP ES.

	EDP São Paulo	EDP Espírito Santo	EDP Distribution
Itaipu + Proinfa	2,440,906	1,629,625	4,070,531
Auction	9,192,611	6,529,198	15,721,809
Others[1]	12,018	155,652	167,671
Energy in Transit	7,382,411	4,781,608	12,164,019
Total Required Energy	**19,027,946**	**13,096,083**	**32,124,029**
Transmission Losses (+)	194,917	108,371	303,288
Losses from Itaipu (+)	152,848	95,723	248,570
Short Term Sales (-)	-947,399	-1,085,455	-2,032,854
Short Term Adjustments (-)	-50,539	11,536	-39,002
Total Losses	**1,345,703**	**1,278,012**	**2,623,715**
MCSD New Energy Assignment (+)	-359,440	223,714	-135,726
MVE (Surplus Commercialization Mechanism	-919,975	0	-919,975
Total Sales	**-1,279,415**	**223,714**	**-1,055,701**
Required Energy	**18,961,658**	**11,594,357**	**30,556,015**
Wholesale Supply	46,275	0	46,275
Retail Supply	7,570,073	5,810,628	13,380,700
Losses and Differences	1,405,854	1,480,570	2,886,424
Energy in Transit	7,382,411	4,781,608	12,164,019
Total Energy Distributed	**16,404,613**	**12,072,805**	**28,477,418**

1 Bilateral Agreements and Short-Term Purchases. Note: Energy balance considers metered energy.

Losses

Accumulated Losses in the Last 12 Months (GWh or %)	EDP São Paulo						EDP Espírito Santo					
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	ANEEL	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	ANEEL
Input of Energy in Grid (A)	**16,797**	**16,773**	**16,221**	**16,242**	**16,405**		**11,836**	**11,435**	**10,983**	**10,950**	**11,051**	
Technical (B)	948	945	890	892	909		930	909	904	908	910	
Non-technical (C)	414	402	461	508	497		544	527	504	518	570	
Total (B+C)	**1,362**	**1,347**	**1,352**	**1,400**	**1,406**		**1,474**	**1,436**	**1,408**	**1,425**	**1,480**	
Technical (B/A)	5.64%	5.64%	5.49%	5.49%	5.54%	4.06%	7.86%	7.94%	8.23%	8.29%	8.24%	7.06%
Non-technical (C/A)	2.47%	2.40%	2.84%	3.13%	3.03%	2.97%	4.59%	4.61%	4.59%	4.73%	5.15%	4.50%
Total (B+C/A)	**8.11%**	**8.03%**	**8.33%**	**8.62%**	**8.57%**	**7.02%**	**12.45%**	**12.56%**	**12.82%**	**13.02%**	**13.39%**	**11.56%**

Low Tension Accumulated Losses in the Last 12 Months (GWh or %)	EDP São Paulo						EDP Espírito Santo					
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	ANEEL	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	ANEEL
Low Tension Demand (D)	**5,734**	**5,712**	**5,663**	**5,684**	**5,734**		**4,980**	**4,855**	**4,769**	**4,790**	**4,782**	
Low Tension Non-technical Losses (C/D)	7.22%	7.04%	8.14%	8.93%	8.67%	8.30%	10.92%	10.86%	10.57%	10.81%	11.91%	10.12%
Total (C/D)	**7.22%**	**7.04%**	**8.14%**	**8.93%**	**8.67%**	**8.30%**	**10.92%**	**10.86%**	**10.57%**	**10.81%**	**11.91%**	**10.12%**

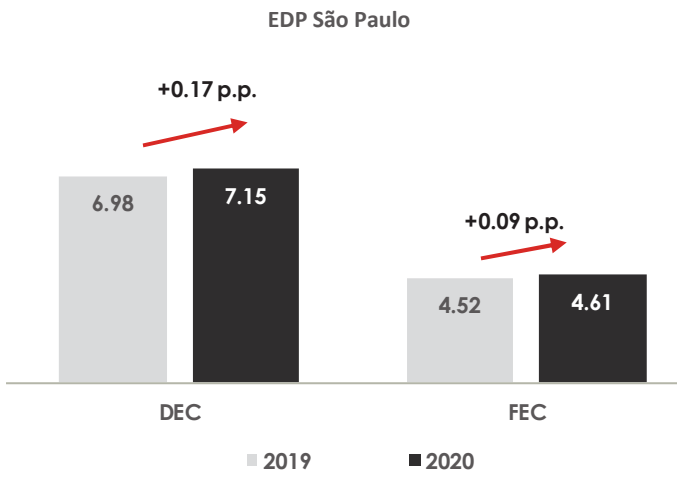
Total losses at EDP SP were up 0.46 p.p. from 2019, influenced by higher non-technical low-voltage losses because of the pandemic-related restrictions on the Loss Combat Plan. Technical losses were down 0.10 p.p. due to the reduced load on the system, in addition to expansion works done over the course of 2020. Low-voltage non-technical losses were up 1.45 p.p., as mentioned before.

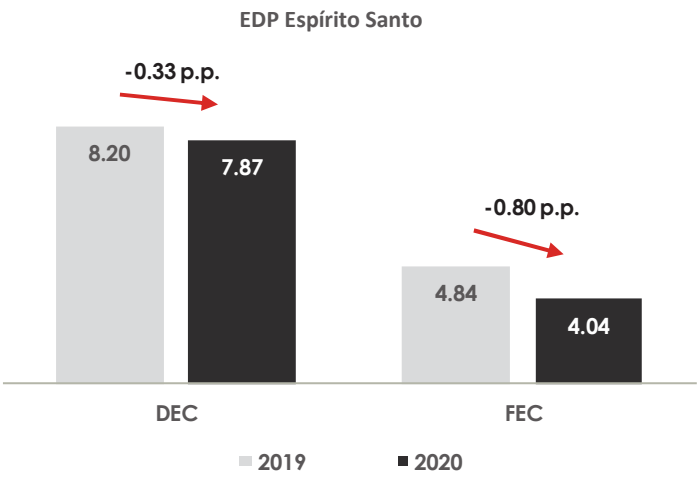
At EDP ES, total losses were up 0.94 p.p. from 2019, influenced by higher technical and non-technical losses. The increase in technical losses is due to reduced volume from Vale and the exclusion of the Santa Maria concession holder (in the August 2019 tariff revision) from the loss calculations. As concerns the increased non-technical losses, the higher indicator is due to the following: (i) developments of the pandemic, leading to reduced household income and increased theft; (ii) reduced public lighting billing time, pursuant to Resolution 854/2019; (iii) cancellation of power cuts for a 4-month period, pursuant to ANEEL instructions; and (iv) reduced irregularity inspections over the year because of the interruption of field activities in the wake of the pandemic.

Quality Indicators

At both distribution companies, service quality indicators were below the regulatory targets in place.

Both indicators were down at EDP SP and EDP ES, reflecting improvement efforts involving preventive maintenance, the "DEC Down Project" (repeat offender disconnections, improved internal processes and acquisition of new technologies) and the use of digital platforms by field teams (quick information flow in addition to agile and efficient service).





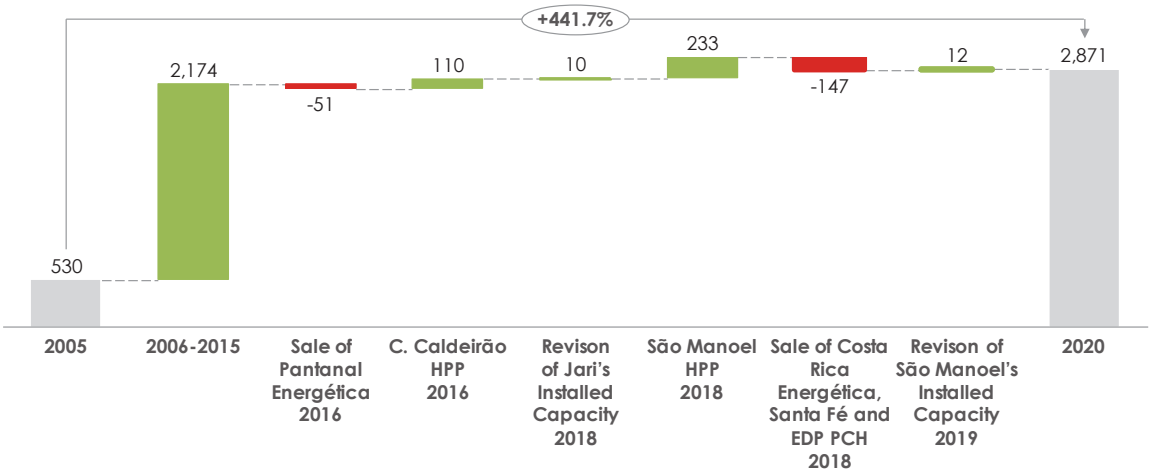
ANEEL Annual Regulatory Target for 2020
EDP São Paulo: DEC 7.71 / FEC: 6.03
EDP Espírito Santo: DEC: 9.45 / FEC: 6.86

5.2 Generation

Installed Capacity

The Company has 2.9 GW in installed capacity and physical guarantee of 1.9 GW.

Installed Capacity in MW – Pro forma



Note: Considers the proportional share of Jari, Cachoeira Caldeirão and São Manoel. Installed capacity does not use the percentage stakes in the Lajeado and Enerpeixe HPPs according to the consolidation criteria.

Integrated Energy Management

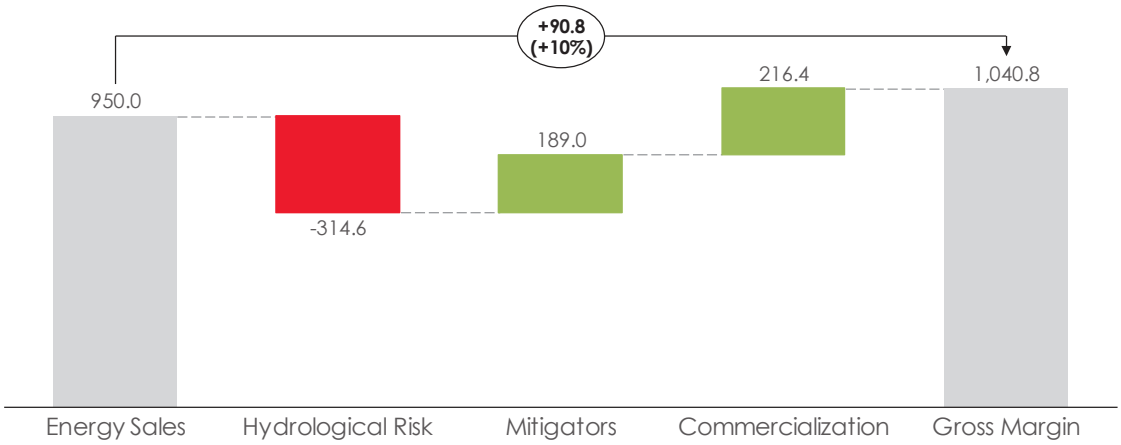
Since 2017, the Trading Company has been operating as a management instrument for the Company's energy portfolio, working in concert with generation companies in electric energy purchase and sale transactions. The energy allocation strategy considers the annual seasonal weighting of both agreements and physical guarantee. In 2020, given the impact of the pandemic and of the social isolation measures recommended to prevent the virus from disseminating, bilateral electric energy sale agreements decreased in line with lower liquidity and dropping demand.

The Company seasonally weights its electric energy contracts to mitigate the risk of an adverse (drier) hydrological scenario, allocating additional energy to the latter half of the year, when rainfall is traditionally lower.

On December 22 the Company approved adhesion to the ACL renegotiation through ANEEL Resolution No. 895/2020, which recognizes MRE generation plants' entitlement to reimbursement for non-hydrological risks associated with the GSF. The solution involves calculating the amounts owed to each plant and the offsetting of these amounts by means of concession extensions.

The year was marked by the effects of the pandemic, which affected every industry, leading to an economic downturn and, consequently, impacts on the Company's energy purchase and sale operations, reducing the number of bilateral agreements between agents as a result of decreased demand, in addition to lower secondary energy volumes in the first quarter of the year.

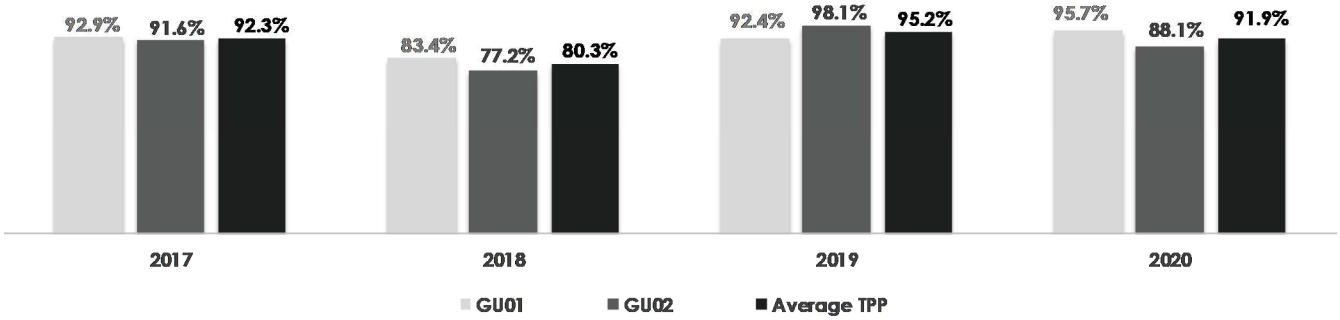
Energy Impact on Generation and Trading (BRL million)



Note: Considers the impacts of MRE, PLD and GSF. Disregards the renegotiation of the GSF in the ACL.

Pecém Uptime

The Plant's average uptime in the year was 91.9% due to the scheduled maintenance done on UG02 in January and February. Dispatching from the Plant resumed by merit order in mid-October, reflecting the economic upturn and increasing demand.



5.3 Transmission

EDP has six transmission projects totaling 1,441 km of lines and 6 substations of which 316 Km are already in operation (lot 24 and Lot 11). The other lots are under construction, with schedules ahead of ANEEL's schedule.

	Lot 07	Lot 11	Lot 18	Lot 21	Lot 24	Lot Q
Region	MA	MA	SP-MG	SC	ES	RS-SC
Work Completion	94%	100%	73%	88%	100%	35%

The projects represent a total investment of R$ 3.3 billion, of which 80% already realized.

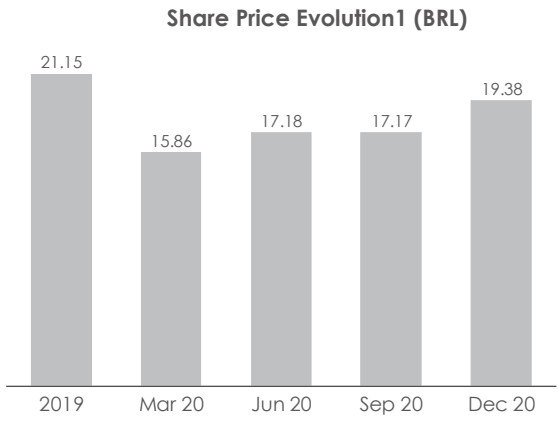
5.4 Trading

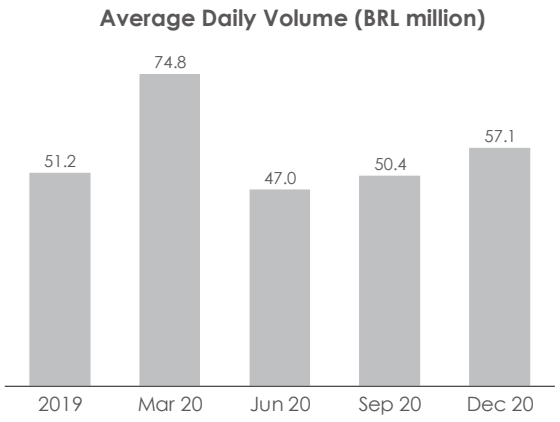
The volume of energy traded was 25,554 GWh, up 6.3%. The year 2020 was marked by the pandemic and a world economy downturn. EDP embraced emergency initiatives and resources to support its consumers and business partners. Over the year, energy prices experienced volatility, which created good business opportunities with solid partners and, consequently, a slight increase in energy trading.

6. Capital Market

6.1 Share Performance

On December 30, the Company's market capitalization was BRL 11.9 billion, with its shares (ENBR3) trading at BRL 19.65, down -8.39%, while the Ibovespa and the IEE gained 2.92% and 8.12%, respectively. EDP's shares were traded on every day the stock market was open for business, totaling 774.6 million shares. The daily average reached 3.1 million shares, while the financial volume was BRL 14.3 billion, with average daily volume of BRL 57 million.





[1] Considers adjustments for proceeds up to 01/04/2021

6.2 Capital Stock

On December 30, the Company's capital stock was fully represented by 606,850,394 common nominative shares. Out of the total shares, 279,173,241 made up the free float, compliant with the B3's Novo Mercado Listing Regulations, and 8,139,746 shares were held as Treasury Stock. Since the beginning of the share repurchase program, on August 28, the Company had bought back 12.3 million shares as of February 04, 2021.

6.3 Dividends

On December 28, the Company's Board of Directors approved payment of Interest on Shareholders' Equity in the amount of BRL 162.0 million, equivalent to BRL 0.271248547 per share. In addition, the Company will submit to the deliberation of the Annual General Meeting (AGM), on April 09, 2021, total dividends in the amount of BRL 599 million, equivalent to BRL 1.00 per share.

7. ESG Performance - Sustainability

EDP Brasil's commitment to Ethical and Sustainable Development lies at the heart of its activities and, for this reason, the Company has for 15 years be listed in the Corporate Sustainability Index (ISE) and, more recently, in the Carbon-Efficient Index (ICO2), both of which provided by B3. In the ISE 2020/2021 portfolio, EDP Brasil logged its best performance on record, scoring above the portfolio's average on all evaluation dimensions and serving as a benchmark in five out of seven dimensions: Overall, Social, Environmental, Economic, and Product Type.

In addition to its internal pledges, such as the 2030 Ambition and the 2022 Goals, EDP Brasil is committed to contributing to nine out of the 17 Sustainable Development Goals (SDG) of the United Nations Organization (UNO).

7.1 ESG Indicators

As part of its commitment to transparency, the Company makes quarterly disclosure of its main tracked socio-environmental indicators, which related with the core topics of the Annual Sustainability Report.

Indicators [1]	Unit	2019	2020
Water consumption	m³	9,523,683	4,439,346
Energy savings at clients	MWh	18,286	39,229
Valued Waste[2]	Ton/%	76,820.24/84%	43,258.83/70%
Direct CO2 emissions (scope 1)	Ton CO2e	4,383,915	1,957,991
Indirect CO2 emissions (scope 2)	Ton CO2e	241,181	188,300
NOX emission	Ton	3,987	1,503
SO2 emissions	Ton	12,885	5,954
Particulate materials emissions	Ton	1,482	809
Frequency rate – Own employees	Taxa	0.14	0.14
Frequency rate – Third-party employees	Taxa	0.76	1.37
Severity rate – Own employees	Taxa	1.14	635
Severity rate – Third-party employees	Taxa	321	462
Supplier Performance Index (IDF)	Índice	89	90
Private Investment	BRL mil	13,411.04	23,269.25

[1] Annual indicators assets under EDP Brasil control and joint-venture assets proportionally with EDP Brasil's equity stake. [2] Consolidated indicator for the Pecém TPP's ashes remanded for co-processing by the cement industry.

Water, valued waste (ashes), CO2 emissions (scope 1) and pollutants were down because of reduced dispatching from the Pecém TPP compared with the same period in 2019.

7.2 ESG Pledge Highlights

- **Environmental**

After its public pledge to the "Business Ambition for 1.5°C", made in the first half of 2020, EDP Brasil was able to validate its Science Based Target for greenhouse gas emissions reduction, standing as the first energy company in Latin America and the first large company in Brazil to achieve this feat. The company made a public commitment to reducing the intensity of its emissions by 85% from 2017 levels by 2032.

These measures underscore EDP Brasil's attitude towards climate change and the relevance of the Company's performance on topic-related indexes in 2020. EDP Brasil has for the first time achieved a leadership level on CDP, with an A- grade, and improved its performance on the ISE climate dimension by 17 points from 2018, for its best performance on the dimensions since the company began applying for a listing in the index.

- **Social**

In a pandemic-stricken year, EDP Brasil had to address many challenges, including preserving its employees' health status, maintaining its operations, which are essential to facing the pandemic, guaranteeing its financial sustainability, and supporting underserved communities in their approach to the crisis. In 2020, the Company reinforced the centrality of acting in line with its purpose: Our energy to provide better and better care.

The Company's actions in connection with the pandemic were defined by its Crisis Committee, which began to meet as early as February with support of infectologists under retainer to better understand the scenario and the risk of contagion for its employees. In the first half of March, before the enactment of state-level quarantine decrees, administrative employees went into a remote working regime. Knowing that electric energy generation, transmission and distribution are essential services, and important even to maintain healthcare services, adaptations were made to keep operations working with reduced staff, placing employees in risk groups on leave and abiding by specific precautionary protocols.

In addition to its care for the internal public, EDP Brasil allocated more than BRL 10.1 million to fighting the pandemic in underserved communities, donating over BRL 8.3 million to support healthcare (such as support building campaign hospitals, the purchase of ICU respirators, and the donation of facemasks and protective gear for healthcare providers) and BRL 1.7 million to combatting famine in socially vulnerable contexts of nine Brazilian states.

Additional details on Covid-19 fighting actions are available at https://brasil.edp.com/en/edp-coronavirus

Also in 2020, by means of the EDP Inclusiveness and Diversity Program new pledges were made in this respect. Objectives include the psycho-social safety of employees in affinity groups, such as improved inclusiveness and diversity in terms of employee attraction, selection and development:

- 2020 – 2022 Diversity Targets:
  - 50% hires from groups currently underrepresented in the overall headcount, valuing demographic intersections;
  - 20% of women in leadership roles;
  - 30% of women in the overall headcount;
  - BRL 1 million invested in development programs for diversity groups;
  - 600 thousand invested in topic-related skills-building programs.

In this period, our Internship Program also began to include a Racial Equality Target, setting aside 50% of vacancies for Black students.

- **Governance**

On February 19, 2021, an Extraordinary General Meeting approved changes to the Board of Directors, appointing Miguel Nuno Simões Nunes Ferreira Setas as Chairman of the Board, João Manuel Veríssimo Marques da Cruz as Deputy Chairman of the Board, and Rui Manuel Rodrigues Lopes Teixeira, Vera Pinto Pereira and Ana Paula Garrido Pina Marque as directors. The Board changes provide 33% female Board representativeness.

The same Meeting elected João Manuel Veríssimo Marques da Cruz to the position of CEO of EDP Brasil, replacing Miguel Setas, and elected Fernanda Nascimento Pires to the position of Vice-President for People and ESG Affairs and reappointed Henrique Manuel Marques Faria Lima Freire to the position of Vice President of Finance and Investor Relations, Luiz Otávio Henriques to the position of Vice President of Generation Transmission and Trading, Carlos Emauel Andrade to the position of Vice President of Clients and João Brito Martins for the position of Vice President of Distribution. This Management Board change reinforces EDP's commitment over the past 15 years in connection with Sustainability-related matters, and underscores integration of ESG matters into business, in addition to further strengthening representativeness thereof in the Company's decision-making processes.

7.3 Innovation

EDP is deeply committed to anticipating industry trends (such as decarbonization, digitalization and decentralization) to foster the country's energy transition. Innovation plays a strategic role in this, as these trends provide the pillars for its actions and the pursuit of solutions alongside with the innovation ecosystem.

Since its creation in 2016, the Innovation area has been devoted to accelerating execution and scaling feasible solutions, maximizing the conversion of ideas into results through incentives, programs and proactivity with the entrepreneurial ecosystem of startups, business partners, customers, Academia, regulators, and other stakeholders. This network aims to develop new projects, apply cutting-edge technologies and share knowledge.

In addition, Brazil's first energy-industry Corporate Venture Capital fund was formed in 2018, complementing the end-to-end solution as per the Corporate Innovation vision, as a means to support and invest in startup companies offering disruptive solutions for the segment.

The innovation culture is also present in the company's acting principles, including "Constant Innovation" and "Focus on solutions and the greater purpose". This is why the Company encourages an innovative attitude in all of its employees, through training programs, incentive to ideas, and intrapreneurship, regardless of the job of position held, to foster a collaborative, creative, stimulating workplace conducive to the proposition of solutions meeting the company's strategic challenges.

Given our ambition of being regarded as a leading innovator in Brazil and worldwide, implementation of a new innovation management model – Innovation Horizon – began in 2020. This is a structured process to generate ideas and prioritize innovation projects within the Company to make them happen more quickly and uniformly.

The innovation management model evolved on four fronts:

- Great ideas, everywhere: the tireless pursuit of good ideas within EDP Brasil and without to leverage the best in our employees and the innovation ecosystem in which they operate.
- Single-purpose innovation: a front active in prioritizing efforts and allocating resources based on the potential to generate value for EDP Brasil, privileging the EDP Group's vision without losing sight of each business unit.
- Accelerated execution, coordinated scale: aims to accelerate and coordinate the efforts needed to innovate, so as to gather the required skills within EDP Brasil and without, to develop new projects from innovation concept to scaling operation.
- Integrated value-capturing management: promotes integrated management of the evolution of innovation projects and captured results according to the ambitions of EDP Brasil.

As a consequence of the new model, a single platform now concentrates all of EDP Brasil's innovation investments, enabling centralized tracking of each area's investments and projects underway.

Creation of Innovex (Innovation Expenditure), which collects the Company's entire innovation budget, be it part of in-house investments, of ANEEL's R&D allowance, or other incentivized sources of funding. The budget is set annually and each prioritized idea is assigned a source of investment, according to its nature.

7.4 Strategy And Management

The Company's strategy is based on solid governance together with sustainability and innovation. Because it operates on the entire electric energy chain, EDP aims to manage a balanced assets portfolio with sustained growth, superior efficiency and controlled risk. In March 2019, the group updated its global strategic vision to "Leading the energy transition to create value", in the belief that the energy transition lies on three platforms: decentralization, digitalization and decarbonization. Our strategy is driven by these three platforms and expands into the 5D: *Double Digit Growth, Distinctive execution, De-Risking, Discipline* and *Digitally Driven*.

The Company prioritizes investment in transmission and distribution, as well as in new services via the EDP Smart brand. The goal is to ensure portfolio diversification to mitigate risks and provide stable long-term results, as well as to prepare for the electric energy industry's changes, including increased market openness.

In this sense, EDP Brasil's investment priorities in the coming years, will be innovation, infrastructure and grids, new services, and the ESG (Environmental, Social and Governance) agenda.

Managerial tools

The Company's actions are supported by the Balanced Scorecard (BSC) and ISO 14.001, ISO 9.001, ISO 37.001 and OHSAS 18.001/ISO 45.001 certification systems. It also uses the Lean and Kaizen methods to optimize process and reduce waste. Performance is tracked at monthly meetings of the Company's entire leadership team (Operations Review).

7.5 Customer Relations

EDP's culture integrates values and commitments before customers, business partners, people, communities and the environment. The Company undertakes actions to achieve excellent service, improving access to its services to make the ever simpler and more comprehensive.

In its pursuit of excellence, the Company has improved service to distribution companies' customers, using technology and robots. The steps include digital transformation; Lumus, a new smart system that provides support to service personnel; Speech Analytics, a robot that automatically analyzes the number of service events and staff; and Chat Bot, which provides automated chat service. EDP Brasil evaluates customer satisfaction by means of indicators published in the annual and biannual surveys published by industry entities such as ABRADEE and ANEEL. Because of the pandemic, the surveys regularly published by ANEEL and ABRADEE had to be adapted to Social Distancing. Despite the challenging context, in 2020 the Company showed significant gains in the Perceived Quality Satisfaction Index (Índice de Satisfação da Qualidade Percebida – ISQP) – ABRADEE in Espírito Santo (ES) and São Paulo (SP), maintaining the previous year' s performance.

The Company constantly strives to reduce the number of electric energy-related accidents in the communities. To this end, in addition to investing in educational campaigns on the sage use of electricity, it has commissioned a comprehensive mapping of the main causes of accidents and developed action plans accordingly. The initiatives include the Kite Flying (Brincando com Pipas) project, in partnership with the EDP Institute, an effort to build the awareness of children and youths regarding the dangers of paying near the energy grid. A highlight result is the drop in the number of grid events leading to disconnected communities and the empowerment of children and youths on this matter. Other regular initiatives include the Summer Operation (Operação Verão), with actions including an automated service-routing tool, the re-positioning of team support bases, and partnerships with local authorities, Civil Defense, Fire Departments, and the Police.

For on-site service in ES and SP, the concession holder maintains brick-and-mortar locations in the municipalities where it operates. Some of our locations also have available self-service devices (totems and tablets). In 2020, because of the termination of on-site activities due to the pandemic, we made available to customers the EDP from Home (EDP Sem sair de casa) page, which enables service via prior scheduling and video chat.

In 2020, EDP Comercializadora (EDP C) launched a structural project in partnership with specialized consultancy firms to revisit internal process and promote customer-service excellence, thereby consolidating recurring revenues over the coming years. EDP C

implements technologies. Strategies and operational models to meet the industry's new regulatory changes, in an effort to place the customer front and center and thereby strengthen as an innovative company ready for the market's new challenges.

7.6 People Management

EDP's employees are a key link in its business operations. Their personal histories form the group's own history and, therefore, every trait is worthy of respect, forming a unique and diverse team, appreciating more collaborative environments, available to the joint construction of solutions.

We have more than 3,000 employees across Brazil. In 2020, there were 203 hires and 239 dismissals, for an 11% turnover rate.

In 2020 we held an organizational climate survey with employees. We maintained our remarkable standing in the Global Climate Survey, with 95% employee engagement. This underscores the openness and conducive environment for employees to share their new perceptions, needs and points for improvement.

Given the COVID-19 pandemic, actions were defined by a Crisis Committee devised so that every decision was driven based on science and in line with internal protocols and medical guidelines, from both EDP Brasil's own team, which had the support of infectologists retained to support decision making and track the domestic evolution of the disease, and from the relevant regulators. An internal indicators system was used to monitor and provide care for all employees with any signs of COVID 19-related symptoms.

Considering the teams' well-being during the pandemic, we also created the EDP by your Side (EDP Com Você) program, using different channels to address initiatives in the areas of mental and physical health, finance, culture and spirituality, to assist employees while in social isolation and using and adapting online tools such as live sessions, workshops and drama plays.

Even in an unusual year and in the face of the unknown, the EDP Culture remained strong and present in every initiative taken, including as concerns the Diversity and Inclusiveness agenda. We launched campaigns such as One Minds (Mentes Abertas) to foster the discussion of ideas in organizations, and developed employees and leaders on the subject of anti-racism. The Internship Program, too, now has a racial equality goal, setting aside 50% of vacancies for Black students. In addition, the company offers English-language scholarships to 20 interns from underrepresented groups, in partnership with language school EF - English First.

In the coming years, new and ambitious pledges will be made in the area, incresing the presence of the agenda in corporate goals, with increased inclusiveness and diversity as concerns employee attraction, selection and development. Overall the goal is to invest R$ 1.6 million in development and skills building for diversity groups, and a minimum 50% hire rate of underrepresented groups in the EDP Brasil group by 2022.

EDP Brasil is committed to provide continuous learning and development spaces with tools and contents to stimulate innovation, collaboration, curiosity and protagonism, so that every employee is autonomous and responsible for building their own history alongside with the Company.

Training at the Company was conducted on a fully digital, proprietary, learning platform called Campus Online, which provides business-focused content. In addition, we retained Degreed, a smart learning platform that supports the evaluation and ongoing self-development of skills that will be required in the future.

For leadership development, we aim to understand and develop the skills that leaders will need. Based on the 2030 Business Goals and an ambition to lead the energy transition while creating value, some of the main skills include humanity, emotional intelligence, innovation, and mastery of technologies, which are address by means of specifically intended contents to develop leaders at all levels.

Employee performance is evaluated annually based on Goals with a Purpose (Metas com Propósito), taking team results and shared goals into account. Individual employee evaluations are held every 2 years with assistance from the Amplify tool which makes key skills for the EDP context.

In addition, the company also monitors the retirement phase with the Retirement Incentive Program (Programa de Incentivo à Aposentadoria – PIA). The program is voluntary and intended to support workers who devoted years to the joint construction of the history of EDP, providing distinguished post-employment conditions and guidance.

EDP values human development and prioritizes employee experience in every initiative, remaining present throughout the journey, tracking their progress, and fostering their development. All other actions taken by EDP Brasil have been listed and disclosed in the 2020 Annual Sustainability Report and can be viewed on our Website.

7.7 Awards And Recognition

EDP Brasil stood out for the following recognitions in 2020: (i) **Valor Electric Energy Industry Innovation Award** – most innovative company in Brazil according to the rankings of the Valor Econômico newspaper; (ii) **ANEEL Award for best power plants in Brazil** – extended by the National Electric Energy Agency to the Peixe Angical and Lajeado plants; (iii) **Open Corps Top 100 open innovation awards** – 4th place in 100 Open Startups annual rankings; (iv) **Avaya Brasil Award** – world success case for the use of the Avaya Oceano platform in the Customer Experience category; (v) **Prêmio Abemde** – Case in partnership with Atende was a finalist in the awards given by the Brazilian Data Marketing Association (Associação Brasileira de Marketing de Dados – ABEMDE) to recognize the most innovative ideas in the data marketing area; (vi) **Dow Jones Sustainability Index (DJSI)** – The EDP Group remains listed in the Dow Jones Sustainability Index (DJSI) portfolio of best global sustainability practices. EDP Brasil has been ranked for 13 consecutive years; (vii) **Ethisphere institute** – the EDP Group was listed for the 8th consecutive year in the *Ethisphere Institute* rankings of the world's most ethical companies; (viii) ***Cliente S.A Silver Trophy*** – The Company was recognized in the Motivational Campaign category for its Bidu call-center content platform; (ix) **Época NEGÓCIOS 360º** - 6th place in the overall ranking of best companies in Brazil, 2nd

place in the Future Vision category, and 5th place in the Sustainability category. In the industry rankings, EDP Brasil was awarded the Silver Seal for the Energy industry, placing 1st in Sustainability, 1st in Future Vision, 1st in People, and 2nd in Innovation; (x) ***Order of the Ipiranga Medal*** – The CEO of EDP Brasil, Miguel Setas, was awarded the highest honor of the State of São Paulo for the Company's work on behalf of culture, the Arts, and the appreciation of the Portuguese Language; (xi) ***Business Sustainability Index (Índice de Sustentabilidade Empresarial – ISE)*** –EDP Brasil was the best performer in the Overall; Product Type; and Economic, Environmental and Social categories, for its best results in the past 15 years as an Index component; (xii) **Executivo de Valor** – EDP CEO Miguel Setas was named Electric Energy Industry executive of the year by Valor Econômico; (xiii) ***Transparency Trophy*** – The Company was recognized for the seventh time, among 2 thousand businesses, for the quality of its financial statements. The award, given by ANEFAC (National Association of Finance, Management and Accounting Executives) recognizes the organizations with the best accounting practices, in addition to the Transparency Trophy granted to the best CFO in the year; (xiv) ***Brazil Network for the Global Compact (UNO).*** - Miguel Setas, CEO of EDP Brasil, was announced as spokesperson CEO for Sustainable Development Goal 11 (SDG 11) – Sustainable Cities and Communities – in the Impact Leadership initiative; (xv) **Best Communication with Journalists** – EDP Brasil CEO Miguel Setas was ranked among the 10 CEOs that best communicate with journalists. In addition, the Company's Press Relations also won the award in the Electric Energy category;

8. Independent Auditors

According to the terms of CVM Instruction 381, of January 14, 2003, the Company signed a contract with KPMG Independents Auditors (KPMG) to provide audit services for its financial statements, as well as the review of interim financial information for 2020. KPMG is not responsible for auditing amounts of measured energy, clients and other non-financial quantitative information.
In 2020, and its affiliates did not provide any service in addition to the independent audit that exceeded the contracted amount by 5%. The Company operations policy and that of the other companies in the Grupo EDP – Energias do Brasil in relation to non-audit related services with the audit company is based on the principles that preserve the independence of the independent auditor. These principles, in accordance with internationally accepted principles, are: (i) the auditor should not audit his own work; (ii) the auditor should not exercise management roles at the customer, and (iii) the auditor should not promote the interest of its customer.

9. Financial Statements

In compliance with the CVM Instruction 480/09 and subsequent amendments, article 25, we hereby declare that we have reviewed and agree with the financial statements and also Independent Auditors' Reports issued about the respective Financial Statements for the year ended December 31, 2020. They have been prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

ANNUAL BALANCE SHEET | IBASE FORM

EDP Brasil

1 - Calculation basis	2020 (R$ thousand)			2019 (R$ thousand)		
Net income (RL)	14.983.800,00			15.228.336,00		
Operating result (RO)	2.813.271,00			2.335.998,00		
Gross payroll (FPB)*	403.007,67			401.399,12		
2 - Internal social indicators	**R$ thousand**	**% on FPB (Gross payroll)**	**% on net rev.**	**R$ thousand**	**% on GP***	**% on net rev.**
Food	52.970,65	13,14%	0,35%	49.430,93	12,31%	0,32%
Compulsory social charges	102.279,01	25,38%	0,68%	100.751,96	25,10%	0,66%
Private pension	1.611,76	0,40%	0,01%	14.730,64	3,67%	0,10%
Health care	43.037,24	10,68%	0,29%	(89.780,79)	-22,37%	-0,59%
Safety and health at workplace	-	0,00%	0,00%	1.978,51	0,49%	0,01%
Education	-	0,00%	0,00%	627,94	0,16%	0,00%
Culture	-	0,00%	0,00%	-	0,00%	0,00%
Transport	6.550,43	1,63%	0,04%	6.660,37	1,66%	0,04%
Professional qualification and development	3.905,96	0,97%	0,03%	4.705,78	1,17%	0,03%
Daycare or daycare allowance	1.959,07	0,49%	0,01%	2.328,13	0,58%	0,02%
Profit sharing	53.502,83	13,28%	0,36%	48.710,76	12,14%	0,32%
Voluntary Termination Program - PDV	-	0,00%	0,00%	-	0,00%	0,00%
Other	4.352,53	1,08%	0,03%	1.535,77	0,38%	0,01%
Total - Internal social indicators	**270.169,49**	**67,04%**	**1,80%**	**141.679,99**	**35,30%**	**0,93%**
3 - External Social Indicators	**R$ thousand**	**% on RO (Operating Result)**	**% on net rev.**	**R$ thousand**	**% on RO (Operating Result)**	**% on net rev.**
Education	2.611,14	0,09%	0,02%	1.534,24	0,07%	0,01%
Culture	8.433,93	0,30%	0,06%	7.069,60	0,30%	0,05%
Health and sanitation	8.285,02	0,29%	0,06%	1.443,55	0,06%	0,01%
Sport	2.660,98	0,09%	0,02%	2.536,71	0,11%	0,02%
Fighting hunger and food security	252,81	0,01%	0,00%	524,00	0,02%	0,00%
Other	1.025,37	0,04%	0,01%	302,94	0,01%	0,00%
Total contributions to company	**23.269,25**	**0,83%**	**0,16%**	**13.411,04**	**0,57%**	**0,09%**
Taxes (except for social charges)	-	0,00%	0,00%	-	0,00%	0,00%
Total - External social indicators	**23.269,25**	**0,83%**	**0,16%**	**13.411,04**	**0,57%**	**0,09%**
4 - Environmental indicators	**R$ thousand**	**% on RO (Operating Result)**	**% on net rev.**	**R$ thousand**	**% on RO (Operating Result)**	**% on net rev.**
Investments related to the company's production/ operation	123.695	4,40%	0,83%	193.826	8,30%	1,27%
Investments in external programs and/or projects	-	0,00%	0,00%	-	0,00%	0,00%
Total environmental investments**	**123.695,37**	**4,40%**	**0,83%**	**193.826,17**	**8,30%**	**1,27%**
Regarding the establishment of "annual targets" to minimize waste, general consumption in production/operation and increase effectiveness in the use of natural resources, the company	■ does not have goals □ attains 0–50% □ attains 51–75% □ attains 76–100%			■ does not have goals □ attains 0–50% □ attains 51–75% □ attains 76–100%		
5 - Staff Indicators	**2020**			**2019**		
Number of employees at the end of the period	3.331			3.283		
Number of hiring during the period	331			452		
Number of outsourced workers	14.862			12.794		
Number of trainees	102			141		
Number of employees above 45 years of age	N/A			N/A		
Number of women working at the company	747			727		
% of leadership positions held by women	12%			12%		
Number of blacks working at the company	142			134		
% of leadership positions held by black people	3%			3%		
Number of handicapped or special needs individuals	53			54		
6 - Relevant information regarding the exercise of business citizenship	**2020**			**2019**		
Ratio of the highest to lowest remuneration in the company	10,50			N/A		
Total number of occupational accidents	11,00			25,00		
Social and environmental projects developed by the company were established by:	( ) senior management	(x) senior management and managements	( ) all the employees	( ) senior management	(x) senior management and managements	( ) all the employees
The safety and health standards in the workplace were defined by:	(x) senior management and managements	( ) all the employees	( ) everyone + Cipa (Internal Accident Prevention Committee)	(x) senior management and managements	( ) all the employees	( ) everyone + Cipa (Internal Accident Prevention Committee)
Regarding union freedom, the right of collective bargaining and internal representation of employees, the company:	( ) does not get involved	(x) follows ILO standards	( ) encourages and follows ILO	( ) does not get involved	(x) follows ILO standards	( ) encourages and follows ILO
The private pension plan contemplates:	( ) senior management	( ) senior management and managements	(x) all the employees	( ) senior management	( ) senior management and managements	(x) all the employees
Profit sharing encompasses:	( ) senior management	( ) senior management and managements	(x) all the employees	( ) senior management	( ) senior management and managements	(x) all the employees
Regarding supplier selection, the same ethical and social responsibility/environmental standards adopted by the company:	( ) are not considered	( ) are suggested	(x) are required	( ) are not considered	( ) are suggested	(x) are required
Regarding the employees' involvement in volunteer work, the company:	( ) does not get involved	( ) supports	(x) organizes and encourages	( ) does not get involved	( ) supports	(x) organizes and encourages
Total number of consumers' complaints and criticism: (in the company, at Procon, at court)	in the company:	at Procon:	in Court:	in the company:	at Procon:	in Court:
	49.047	3.657	4.980	57.746	6.255	8.311
% of claims and critiques dealt with or resolved:	in the company:	at Procon:	in Court:	in the company:	at Procon:	in Court:
	99,00%	98,50%	72,64%	99,45%	99,86%	46,64%
Total value added to be distributed (In thousand of Reais):	**8.628.656,00**			**7.607.157,00**		
Distribution of value added (DVA):	government: 62% shareholders: 7% collaborators: 5% withheld: 13% third-party: 13%			government: 58% shareholders: 7% collaborators: 4% withheld: 13% third-party: 18%		
7 - Other information						
N/A - Not applicable.						

****Note**: The historical data for 2019 was adjusted after reanalyzing the assumptions considered for information consolidation.

***Note**: Investments in external programs and/or projects are accounted for integrated with the operation/production investments.

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Independent Auditor's Report in the Individual and Consolidated Financial Statements

To the Shareholders, Board of Directors and Management of
EDP - Energias do Brasil S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of EDP - Energias do Brasil S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2020, the statements of income and other comprehensive income, changes in shareholder´s equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the 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 the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in 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 opinion.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit 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.

(1) Valuation and classification of the indemnifiable financial assets, concession assets and intangible assets from distribution activities (See notes 21, 20 and 23 to the financial statements) - Individual and consolidated statements
The consolidated financial statements present balances in non-current assets related to assets under construction (concession assets) in the amount of R$ 542,256 thousand, amounts to be amortized over the concession period (intangible assets) in the amount of R$ 1,395,758 thousand and amounts receivable as indemnification from the Concession Grantor (indemnifiable financial asset) in the amount of R$ 3,486,960 thousand, related to distribution activities. According to ICPC 01 (R1) Technical Interpretation - Concession Contracts (IFRIC 12), the energy distribution construction contract provides for that investments made and not amortized up to the end of the concession contract give rise to an indemnifiable financial asset as an unconditional right to receive cash or other financial assets directly from the Concession Grantor, while the remaining investment must be classified as an intangible asset since its recovery is conditional on the use of the public service through the consumption of energy by consumers. The classification of investments between indemnifiable financial assets and intangible assets after the construction period (concession assets) involves complexity and judgment by the Company, which may impact the value of these assets in the financial statements.

This issue was considered one of the key audit matters due to the relevance of the amounts involved and the significant judgments in the evaluation of the allocation of investments between the indemnifiable and intangible financial asset in consolidated financial statements, the value of the investment recorded under the equity method in the financial statements, as well as the controls and eligibility criteria for valuation and recording of additions of infrastructure assets, which are subject to review and approval by ANEEL.

How our audit conducted this matter
Our audit procedures included, among others, evaluating the design, implementation of key internal controls related to the investment allocation process and the valuation of the financial asset; inspection of documents on a sample basis of additions occurred during the year; valuation of inflation adjustment of the amounts involved, in addition to tests for calculating the amortization of intangible assets. We also evaluated the disclosures about the matter in the individual and consolidated financial statements.

Based on the evidence obtained through the procedures summarized above, we have considered that the balances of indemnifiable financial assets, concession and intangible assets, as well as related disclosures, are acceptable in the context of individual and consolidated financial statements for the year ended December 31, 2020.

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(2) **Recognition of revenue from unbilled supply in distributors (See notes 7 and 33 to financial statements) - Individual and consolidated statements**

Part of the energy sales revenues of distributors is calculated monthly by estimating the amounts of energy supplied to consumers, not yet billed at the reporting date, due to the time lag between the date of the last reading of the meters and the year-end. As of December 31, 2020, the estimated amount of sales of electricity supplied to consumers and unbilled totaled R$ 389,875 thousand in the consolidated financial statements. The recognition of said revenue involves a significant judgment by the distributors of the Company to estimate the energy volume consumption supplied and its allocation to the different classes of consumers, the loss rate and the current tariff.

This issue was considered one of the key audit matters due to the relevance of the amounts and significant judgments involved in the consumption estimate, that may impact the amount of revenues and accounts receivable in the consolidated financial statements and the amount of the investment recorded under the equity method in the individual financial statements.

How our audit conducted this matter

Our audit procedures included evaluating the design and implementation of key internal controls related to determining the amount of unbilled supply revenue. We evaluated the main assumptions used by the Company, such as technical and non-technical loss rates, actual energy load distributed in the month and average tariff. Furthermore, we evaluated the data used in the calculation of the estimate made by the Company and recalculated the unbilled supply revenue. We also evaluated the Company's disclosures related to individual and consolidated financial statements.

Based on the evidence obtained through the procedures summarized above, we have considered that the balances related to recognition of revenue from unbilled supply, as well as related disclosures, are acceptable in the context of individual and consolidated financial statements for the year ended December 31, 2020.

(3) **Impairment of non-financial assets (See notes 3.7.1, 18, 22 and 23 to financial statements) - Individual and consolidated statements**

The consolidated balance sheet as of December 31, 2020, under "Investments, property, plant and equipment and intangible assets" caption, the amounts of R$ 2,032,259 thousand, R$ 6,271,823 thousand and R$ 2,659,590 thousand, respectively. The Company evaluates the recovery of the book value of its cash generating unit ("CGUs") based on its value in use, using the discounted cash flow method and considering certain assumptions, such as the discount rate, projection of revenue and costs, as well as external factors.

This issue was considered one of the key audit matters due to the degree of judgment involved and the impact that any changes in the assumptions of discount rate, expectation of revenue and costs, and external factors could have on the value of these assets in the consolidated financial statements and on the amount of the investment recorded under the equity method in the individual and consolidated financial statements.

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How our audit conducted this matter
Our audit procedures included but are not limited to evaluating the design and implementation of key internal controls related to the preparation of cash flow projections prepared by the Company and approved by the Executive Board. With the assistance of our corporate finance experts, we evaluate the reasonableness of the key cash flow assumptions, such as : discount rate, expected revenue and costs, and external factors used by the Company, as well as modeling for the purpose of calculating the discounted cash flow. Moreover, we held discussions with management and compared them with historical information. We also evaluated the Company's disclosures in the individual and consolidated financial statements.

Based on the evidence obtained through the procedures summarized above, we have considered that the recoverable value of non-financial assets, as well as related disclosures, are acceptable in the context of individual and consolidated financial statements for the year ended December 31, 2020.

(4) Recoverable value of deferred tax assets (See note 10 to the financial statements) – Individual and consolidated financial statements
The balance sheet as of December 31, 2020 presents tax credits on tax losses, negative basis of social contribution and temporary differences in the amount of R$ 710,558 thousand, whose realization is supported by estimates of future taxable income, prepared by its subsidiaries based on its judgments and supported on its business plans. Due to the uncertainties inherent in the estimation process, such as the projection of revenues, costs and financial income (loss) to project future taxable income, which are the basis for recognizing the recoverable value of deferred tax assets, and due to the fact that any changes in methodologies and assumptions used may materially impact the value of these assets in the consolidated financial statements and the value of investment recorded under the equity method in the individual financial statements, we consider this issue material for our audit.

How our audit conducted this matter
Our audit procedures included, among others, an assessment of the design and implementation of key internal controls relating to the determination and approval of the assumptions used for the purpose of preparing the projection of future taxable income and the involvement of our corporate finance specialists in order to evaluate the data and assumptions used, such as projection of revenues and costs in projections of future taxable income, as well as projected economic growth, volume, and sale price of energy. With the support of our tax experts, we have evaluated the calculation basis on which the prevailing tax rates are applied. Additionally, we have evaluated the disclosures made in individual and consolidated financial statements.

Based on the evidence obtained through the procedures summarized above, we have considered that the recoverable value of deferred tax assets, as well as related disclosures, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2020.

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(5) Reimbursement of the non-hydrological risks of the Generation Scaling Factor (GSF) – Extension of the concession period (intangible asset – concession right) – (See notes 23.1.2, 23.1.3 and 34.5 to the financial statements) – Individual and consolidated statements

On September 8, 2020, the Federal Government enacted Law 14052/2020, for the purpose of renegotiating the GSF for generators operating in the Unrestricted Contracting Environment ("ACL"). On December 1, 2020, because of the Public Consultation, ANEEL's Board of Directors approved Normative Resolution 895/2020, which regulates the respective law. As a result of Law 14052/2020 and Normative Resolution 895/2020, the subsidiaries Enerpeixe, Lajeado and Energest decided to enter into this renegotiation. Therefore, where applicable, the subsidiaries will have to: (i) fully settle the GSF balance payable; (ii) permanently withdraw all lawsuits pending in court related to the GSF; (iii) sign an addendum to the concession contract, which (among other effects) will ensure an extension in the concession term of these subsidiaries, totaling an estimated increase of 65.6, 13.4 and 17.8 months at each subsidiary, respectively, in which the consolidated accounting impacts were recorded on December 31, 2020, by means of an addition to the intangible asset (Concession Rights – Other) as a counterpart to a recovery of GSF operating expenses, in the amount of R$ 388,859 thousand. Additionally, based on the calculated concession extension period, the subsidiary Enerpeixe estimated an addition to intangible assets (concession right – Use of Public Assets ("UBP"), against a liability payable, at the present value of R$ 58,238.

This issue was considered one of the key audit matters , as it involves significant amounts, in addition to the likewise relevant estimates of the discount rate, regarding the recognition and measurement of the fair value of intangible assets.

How our audit conducted this matter

Our audit procedures included, among others: (i) evaluation of the main assumptions and data used in calculating the estimate of fair value related to the extension of the concession made by the Company's subsidiaries, as well as comparison of the data used as a basis for calculating the estimate of the increase in the extension of the concession period with the information published in Law 14.052/2020, Normative Resolution 895/2020 published by Brazil's National Electricity Regulatory Agency (ANEEL), and previous calculation carried out by the Electric Energy Trading Chamber (CCEE) during fiscal year 2020; (ii) involving our tax specialists to analyze the tax effects (deferred social contribution and income tax liabilities); (iii) we recalculated the inflation correction, the basis for determining the concession extension period, based on the amounts and coefficients established in Law 14.052/2020 and Normative Resolution 895/2020 published by ANEEL; (iv) recalculation of the "UBP" based on the projected extension period in the same parameters as the current concession contract; and (v) evaluation of the respective disclosures in the Company's consolidated financial statements.

During our financial audit, we identified adjustments that would affect the measurement and disclosure of intangible assets, which were not recorded since they were considered as immaterial.

Based on the evidence obtained through the procedures summarized above, we have considered appropriate the recognition and measurement of fair value of intangible assets, as well as related statements, in the context of financial statements for the year ended December 31, 2020.

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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 format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added. In our opinion, the statements of value added have been prepared fairly, in all material respects, in accordance with the criteria determined by this Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report
Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information 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, 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 regard.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries 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 or 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 a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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, 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 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 manner that achieves fair presentation.

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

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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 expected to outweigh the public interest benefits of such communication.

São Paulo, February 19, 2021

KPMG Auditores Independentes
CRC SP014428/O-6
Original report in Portuguese signed by
Daniel A. da S. Fukumori
Contador CRC 1SP245014/O-2

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