



EMAE – EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A.



FINANCIAL STATEMENTS

2020



Dear shareholders,

The Management of EMAE - Empresa Metropolitana de Águas e Energia S/A ("Company" or "EMAE"), in compliance with legal and statutory provisions, is pleased to submit for your appreciation the Management Report and the Company's Financial Statements, together with the Independent Auditors' Report, for the year ended December 31, 2020.

The Company's operating and financial information, except where otherwise indicated, is presented in this Report in thousands of *Reais* (R\$), based on consolidated figures, and is prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in line with the accounting practices adopted in Brazil.

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1. MESSAGE FROM MANAGEMENT

In 2020, EMAE - Empresa Metropolitana de Águas e Energia S.A. - worked intensely and timely, in order to face the challenges posed by the COVID-19 pandemic, while attaining many achievements. The first of them was the low incidence of COVID-19 cases among its employees and their families, evidencing the Company's care towards its employees and the prevention measures adopted, such as social distancing and changes in working methods. Moreover, this was followed by intense and successful communication and awareness-building. These actions reflect the Company's strategic vision.

The Company has progressed in challenging projects, such as the concession for the use of the sites of the São Paulo Plant, whose concession has proven the interest of the private initiative, and shall bring an increase of R\$ 280 million in EMAE's revenues by 2042, besides being an important contribution to the revitalization project of Pinheiros River. The New Pinheiros River Project, in which EMAE actively participates, is a pioneer in the way rivers in large cities are treated, and is expected to become a reference in the recovery of urban rivers, given its physical characteristics and the way its recovery is taking place. This project promotes the improvement of the river banks, and at the same time encourages the responsible occupation of its surroundings by the population. The real estate appreciation and the nearness of the population to the water body contribute to the enhancement of the quality of its waters, thus generating a sequence of urban and environmental improvements in the city of São Paulo.

The advances obtained in 2020, among which is the implementation of the pilot project of a floating photovoltaic plant in the reservoir operated by the Company, shall boost the growth of EMAE's generation capacity for the next years. The initial test, at the Billings Reservoir, led to the launching of a public bidding for the selection of partners, aiming at setting up the generation units of this category. In addition, the implementation of SHP Edgard de Souza (Small Hydroelectric Plant), whose Suitability Dispatch was issued by the Brazilian Electricity Regulatory Agency (ANEEL), is also expected to contribute to the expansion of the Company's installed capacity.

Within the infrastructure capital, the plants under management met the performance indicators laid down by the electric sector regulatory agency, with highlight to the performance of the Henry Borden Complex (UHB), which, in 2020, remained available 90.7% of the time to serve the Brazilian Interconnected System (SIN), compared to the minimum availability reference of 86.6%, established in the concession contract, which demonstrates the excellence in the operation and maintenance of these assets.

The Company controls a hydraulic system comprising twenty dams, to which it dedicates special concern in terms of safety. This is part of EMAE's long-term strategy, specifically, the Risk Management guideline, which includes the strategy of identifying, monitoring and mitigating the risks associated with dam safety. In 2020, it completed the technical specifications for contracting the periodic reviews of all dams, as required by the Dam Safety Law (Law No. 14,066, of 2020). A new contract for the rendering of services,

related to both routine inspections and readings of auscultation instruments in EMAE's structures, was launched, and the works involving the recovery of the civil structures of Pirapora Dam have been concluded, which improved the civil characteristics of the structure and increased its reliability.

The Company controls a hydraulic system comprising twenty dams, to which it dedicates special care in terms of safety. This is part of EMAE's long-term strategy, particularly with respect to the Risk Management guidelines, which aim to identify, monitor, and mitigate the risks associated with dam safety. In 2020, it completed the technical specifications for contracting the periodic reviews of all dams, as required by the Dam Safety Law (Law No. 14,066, of 2020). A new contract for the rendering of services of routine inspections and auscultation instrument readings, carried out in EMAE's structures, was launched and the recovery works for the civil structures of the Pirapora Dam have been concluded, which improved the civil characteristics of the structure and enhanced its reliability.

With respect to the economic and financial performance, the net income in 2020 stood at R\$ 198.5 million, up 114% from the previous year. This was mainly due to the review of the investment plan of the plants under concession, which led to a reduction in the amount provisioned in the 2020 result, thus reducing the cost of service versus that calculated in 2019. Another highlight was the payment of a record dividend in the amount of R\$ 221.6 million, due to the distribution of profit reserves obtained in previous years.

In 2021, a major challenge is to keep the availability and performance indicators of the plants within the regulatory parameters, considering the persistence of the Covid-19 pandemic scenario. Another challenge is the expansion of the generation complex, with the beginning expansion of the thermal complex - in a Company's site located in the South Zone of São Paulo - and the progress in the revitalization process of the Pinheiros River, so as to attain the goals set for 2022.

The Company expresses its gratitude and remains committed to the care and appreciation of its employees, through the continuous actions regarding occupational health, safety, training, and development, especially during this period of pandemic, which this planet is still going through. The Company would also like to thank the partnership with suppliers, the strategic guidance and monitoring of activities performed by the Board Members, as well as the support from its shareholders.

MARCIO REA
CHIEF EXECUTIVE OFFICER

PABLO UHART
CHIEF FINANCIAL AND
INVESTOR RELATIONS OFFICER

2. MANAGEMENT REPORT AND CORPORATE GOVERNANCE REPORT

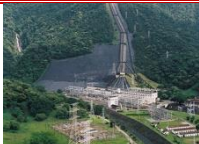




2.1. Operations

Overview

EMAEE is authorized to operate as a concessionaire for the use of public assets related to the generation and sale of electric power. It runs four hydroelectric power plants - three of its own, and a small power plant belonging to its wholly-owned subsidiary Pirapora Energia S.A. - in an area ranging from the municipality of Salto to the coastal area of Santos, in the state of São Paulo. It also runs a thermoelectric plant located in the capital city of São Paulo and leased to Baixada Santista Energia (BSE), a wholly-owned subsidiary of Petrobras.

Its main activities are: (i) power supply; (ii) asset construction; and (iii) providing operation and maintenance services for power plant facilities and related structures for companies and public agencies.

Generating Complex

	Plant	Location	Installed capacity (MW)	Physical guarantee (MW average)	Granting date	
					Beginning	Expiration
	UHE Henry Borden	Cubatão, SP	889.0	121.40	01/01/2013	11/30/2042
	UHE Porto Góes	Salto, SP	24.8	11.63	01/01/2013	11/30/2042
	UHE Rasgão	Pirapora do Bom Jesus, SP	22.0	11.84	01/01/2013	11/30/2042
	PCH Pirapora	Pirapora do Bom Jesus, SP	25.0	17.17	24/06/2008	12/31/2044
	TPP Piratininga	São Paulo, SP	Located on the banks of the Pinheiros River, near the Billings Reservoir, the power plant has a total capacity of 472 MW and, since 2007, has been leased to Baixada Santista Energia (BSE), a wholly-owned Petrobras subsidiary. Explanatory Note 6			

(*)TPP = Thermal Power Plant

In addition to the generating complex, the Company runs a hydraulic system formed by dikes, dams, reservoirs - such as Billings and Guarapiranga, in the extreme south of the city of São Paulo, as well as the pumping stations of Traição and Pedreira, as well as the Pinheiros River channel, in the city of São Paulo.

Main projects and achievements

The Company proceeded with the projects and investments in modernization, incorporation of new technologies and capacity expansion, as well as in generation reliability, following the guidelines established in its strategic planning. The entire 2020 maintenance schedule was fulfilled, thus overcoming the restrictions posed by the COVID-19 pandemic. Therefore, EMAE continued to operate with the aim of ensuring proper maintenance of operating conditions, with reliability in terms of equipment and systems of its plants and structures, with consequent maintenance of the unavailability and performance indicators within the regulatory parameters.

The project that involves the installation of floating photovoltaic plants in the reservoirs under its management is considered very special for EMAE, as it is aligned with the Company's concern with environmental issues, regarding the development of alternative and sustainable sources of electric power generation. In February 2020, the pilot project started to operate, in a trial phase, with a 100 kW floating photovoltaic plant - the first in the city of São Paulo - in a 1,000 m² area of the Billings reservoir, close to the Pedreira pumping station.

The initiative to make feasible the project to replace the technology of two units of the TPP Piratininga, which dates back to 1954, by a natural gas-powered generation system, was continued throughout the year. The new technology will enable the expansion of the generation capacity without incurring in a rise in the emission of pollutants. After being granted the preliminary license that approved the environmental feasibility of the project in 2019, valid until 2023, the start of activities to meet the conditions established in the license was launched, as well as studies to outline the strategy for the implementation of these thermal units.

Another relevant EMAE project is the motorization for hydroelectric use of the Edgard de Souza dam, located in the city of Santana do Parnaíba (SP). In 2020, the suitability registration for the executive summary of the hydraulic potential was obtained, considering the project of 11,960 kW of installed capacity. As a result, the Company will be able to move on to the next stages of the project, which involve obtaining environmental licensing, alongside the granting of water resources for the implementation of the SHP.

(*) SHP = Small Hydroelectric Plant

Among other accomplishments during the year, the following stand out:

- São Paulo Pumping Station - start of a project to replace the current substation with a gas-powered compact one.

- Henry Borden Power Plant - within the Complex's modernization process, a three-phase step-up transformer has been installed, thus reestablishing the operational status of generating unit No. 4. In addition, the supply contract for four Pelton rotors was launched, to be replaced during 2021.
- Porto Góes Power Plant - installation of a new 30 MVA transformer, which enhanced the project's reliability.
- Rasgão Power Plant - renovation and modernization of the Rasgão Power Plant facilities, aiming at improving safety.
- SHP Pirapora - creation of the "Parque dos Romeiros" (Romeiros' Park), as a condition linked to the maintenance of the plant's operating license.

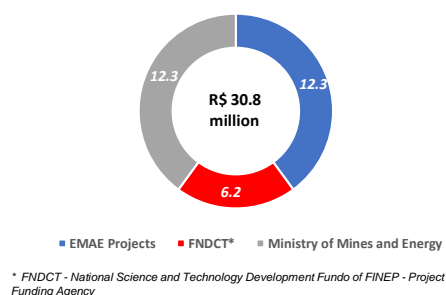
Also in 2020, the Company started the installation of a Management Platform for the Measurement and Billing System (MBS), in order to add more reliability and resources aimed to comply with the requirements set out by the Brazilian System Operator (ONS) regarding the submodules.

Research & Development

From the total net operating revenues, 1% is allocated to research and development within the electric sector, as determined by the legislation in effect (Law 9991/00, as amended).

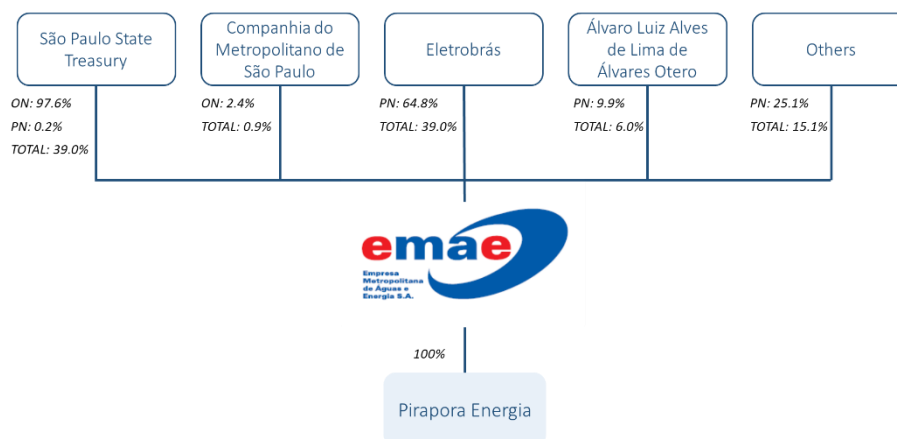
In fiscal year 2020, we completed the project to analyze the solarimetric variability and reduction of the useful life of photovoltaic systems in inhospitable sites: a case study in the Tietê region, near the Edgard de Souza dam. We proceeded with the project to develop a multipurpose hydro-environmental monitoring platform and started the development of an Automatic Mechanical Solution for Retention and Collection of Solid Waste in the Alto-Tietê System.

Research & Development within the electric sector
Resources allocated - Sep. 04 to Dec.20



2.2. Shareholding Structure

EMAIE is a mixed joint stock, publicly-held corporation, with shares traded on the São Paulo Stock Exchange ('B3') – Brazil, Bolsa, Balcão, under the ticker symbols EMAE3 (common shares - ON) and EMAE4 (preferred shares - PN). The controlling shareholder is the São Paulo State Government, through the São Paulo State Treasury, which holds 97.61% of the Company's common shares, and the São Paulo Metropolitan Company with 2.4%, making up for the total ownership of the voting capital.

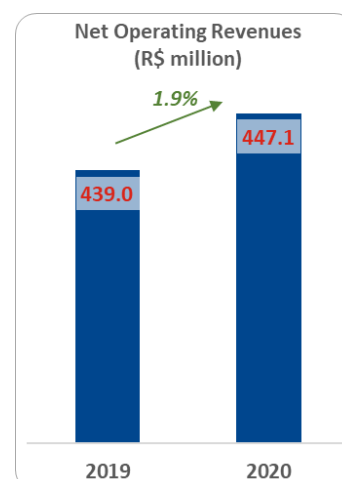


2.3. Economic and Financial Performance

Operating revenues

At the end of 2020, EMAIE recorded net operating revenues of R\$ 447.1 million, 1.9% higher than in the previous year.

With the coronavirus pandemic that affected the country in 2020, there was an economic downturn and, consequently, a reduction in energy consumption and power oversupply for the coming years. Thus, the energy auctions were postponed. Nevertheless, EMAIE's revenues were not impacted by the pandemic, and the tariff cycle adjustment published in July 2020 has maintained the correction of tariffs by the IPCA. During this cycle, besides the increase resulting from monetary correction, the Company recorded additional revenues due to the positive performance achieved by the Henry Borden Plant (Cubatão/SP).



Another aspect that contributed to the stability of revenues in 2020 was the review of the regulatory fee (WACC), which is used to remunerate the investments made in the

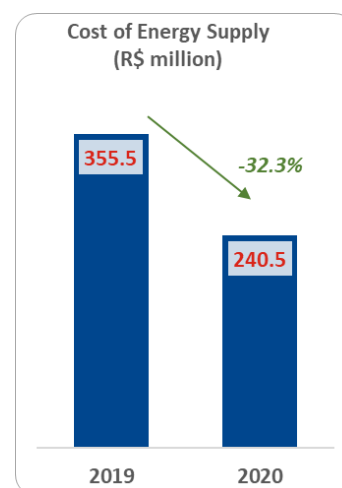
plants. EMAE participated in the review process of this fee, through a generators' association.

Cost of energy supply and gross profit

In 2020, the cost of energy supply amounted to R\$ 240.5 million, down 32.3% as compared to that reported in fiscal year 2019. The main reason for this drop was the review of the investment plan, underlying the obligations of the concession contract, and the consequent requirement for a lower provisioning.

EMAE invested R\$ 41.3 million in 2020, aimed at modernizing, enhancing efficiency, and mitigating the risks related to power generation. In line with the accounting standards, the amount invested shall be amortized on a straight-line basis until the end of the concession, since the economic benefits arising from the correct use of funds is expected to yield a return (cash flows) by November 30, 2042.

On the other hand, other relevant items of the cost of energy supply have offset the positive impact from the reduction in the provision mentioned above, such as: (i) a 15.2% increase in charges paid for the use of the electric grid, which rose to R\$ 41.6 million in 2020, versus R\$ 36.1 million in 2019; (ii) a 10.4% increase in personnel expenses (R\$ 85.5 million in 2020 versus R\$ 77.4 million in 2019); and (iii) judicial provisions (labor, civil and tax) with a 3.9-fold increase, which rose from R\$ 4.2 million in 2019 to R\$ 16.6 million in 2020.



As a result of the reduction in the cost of energy supply, EMAE's gross profit totaled R\$ 206.6 million, significantly higher than the R\$ 83.5 million recorded in the previous year. The gross margin over operating revenues stood at 46.2%, up 27.2 percentage points from 19.2% margin recorded in the previous year.

Operating expenses

In 2020, total operating expenses came to R\$ 63.5 million, up 30.6% when compared to the R\$ 48.6 million reported in 2019. Taking into account only the general and administrative expenses group, the increase stood at 28.7% for the period (R\$ 13.7 million), mainly due to higher expenses with outsourced services, personnel, rents and depreciation.

EBITDA

The operating cash generation as measured by the EBITDA totaled R\$ 149.1 million in 2020, whereas the margin over net revenue was 33.3%. Despite the stability in revenues, coupled with the increase in operating expenses, EBITDA performance was positively influenced by the strong reduction in the cost of energy supply.

R\$ million	2020	2019	Chg (%) Year
Net operating revenues	447.1	439.0	1.9
Cost	(240.5)	(355.5)	-32.3
Operating expenses	(63.5)	(48.6)	30.6
Depreciation and amortization	6.0	5.8	3.4
EBITDA	149.1	40.7	267.1
EBITDA Margin	33.3%	9.3%	+ 24 p.p

Financial result

EMAë's net financial income for the year 2020 totaled R\$ 127.9 million, representing a 43.8% increase over the R\$ 88.9 million net financial income recorded in the previous year. The variation between periods was mainly due to the monetary variations account, which totaled R\$ 100.9 million in 2020, up 85.1% from the previous year. This account includes the monetary restatement of the lease agreement of TPP Piratininga, which totaled R\$ 95.3 million, 98.6% higher than the R\$ 47.9 million reported in 2019.

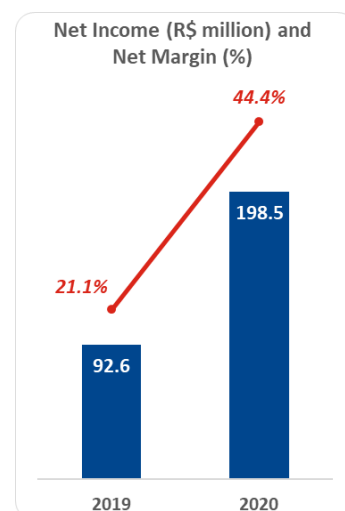
In 2020, financial income totaled R\$ 32.5 million, which represents a 22.6% reduction when compared to fiscal 2019, given the drop in income from financial investments and the lower interest received on the lease of TPP Piratininga.

Financial expenses, on the other hand, showed a 27.6% reduction, to R\$ 5.5 million, due to lower amounts spent on charges for taxes and social contributions, as well as the updated value of fuel oil.

Net Income

Following the positive impacts from the review of the investment plan, and the monetary updating of the lease agreement of TPP Piratininga, the operating income before income tax and social contribution reached R\$ 271.0 million in 2020, representing a significant increase by 119% in comparison to the R\$ 123.8 million in the previous year.

At year-end 2020, EMAE reported net income (after income tax and social contribution) of R\$ 198.5 million and a net margin of 44.4%, representing an increase of 114.3% and 23 percentage points compared to the 2019 figures of R\$ 92.6 million and 21.1%, respectively.



Debt

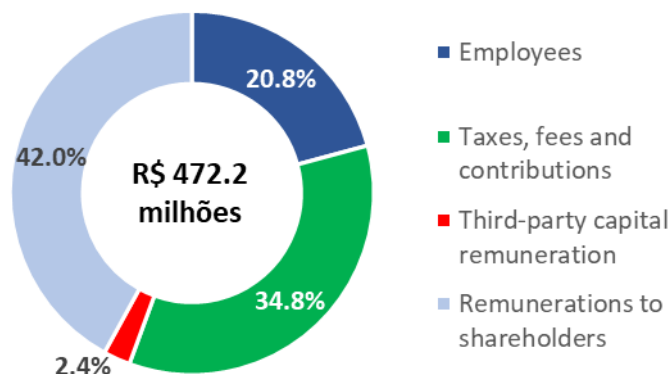
With a sound financial position and low leverage, the consolidated gross debt as at December 31, 2020 stood at R\$ 66.4 million, 9.3% lower than the position recorded at the end of 2019, of R\$ 73.2 million. The Company's only debt is represented by a loan contract with BNDES, in 2012, for the construction of a Small Hydroelectric Plant (SHP), by the subsidiary Pirapora Energia S.A. Its maturity is scheduled for September 15, 2030, adjusted by the TJLP + 1.9% per year.

At the end of 2020, cash and cash equivalents stood at R\$ 518.7 million, up 25.6% over R\$ 412.9 million in the previous year.

In this sense, the Company's net debt remained positive (net cash) at R\$ 452.4 million at the end of 2020, as compared to a positive net balance of R\$ 339.7 million at December 31, 2019.

On January 10, 2021, the Board of Directors of EMAE, as the sole shareholder of the subsidiary, approved the capital increase of R\$ 64 million in Pirapora Energia S.A., with the purpose of full and early repayment of the financing with BNDES. The settlement is expected to take place during the first half of 2021.

Distribution of Added Value

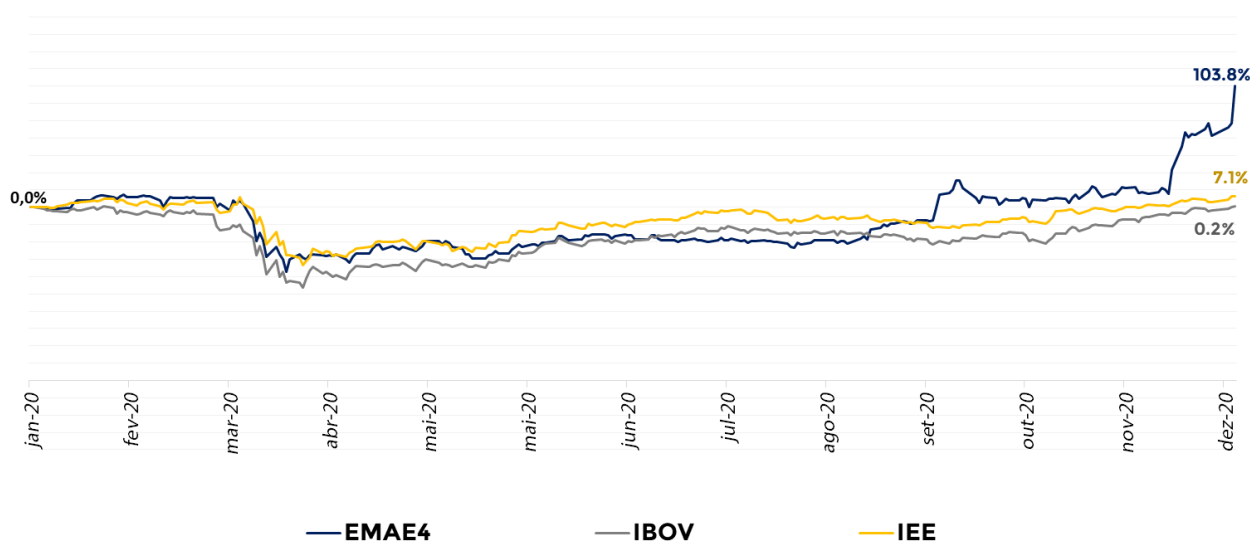


Capital Markets

EMAE's capital stock is represented by common and preferred shares which, since March 1998, have been traded on the São Paulo Stock Exchange ('B3') - Brazil, Exchange, Over-the-Counter, under the ticker symbols EMAE3 (common shares - ON) and EMAE4 (preferred shares - PN).

At the end of 2020, preferred shares traded at R\$ 75.41, representing an appreciation of 103.8%. In the same period, Ibovespa, B3's main index, and IEE, an index made up of an asset portfolio with the highest trading volume and relevance in the electric power sector, rose by 0.2% and 7.1%, respectively.

EMAE4 Performance in 2020
02/01/2020 = 100



Remuneration to shareholders

In 2020, EMAE approved a record distribution to shareholders, in the total gross amount of R\$ 259.2 million, of which:

- R\$ 37.6 million in the form of Interest on Equity (IOE), representing the net amount of R\$ 0.8162 per common share and R\$ 0.8978 per preferred share, with payment on December 30, 2020. The amount will be imputed to the minimum mandatory dividend for 2020, to be approved at the Annual General Meeting; and
- R\$ 221.6 million in the form of dividends, through the partial reversal of the balance of the earnings reserve from previous years, representing the equivalent of R\$ 5.6570 per common share and R\$ 6.2227 per preferred share, with payment on January 29, 2021.

EMAE's Management is proposing the payment of dividends in the amount of R\$ 67.6 million, for approval at the Annual General Meeting to be held on April 23, 2021. This amount includes the mandatory dividend, the realization of profits, and the proposal for payment of an additional dividend for fiscal 2020, from which the interest on equity declared and paid in 2020 will be deducted.

2.4. Operational Performance

Main Indicators

	2020	2019	Chg %
OPERATIONAL			
Installed capacity (MW)	960.8	960.8	-
Energia gerada (MWh)	1,414,115	2,038,978	-30.6
ECONOMIC AND FINANCIAL (R\$ million)			
Net operating revenues	447.1	439.0	1.9
Cost of generation and rendering of services	240.5	355.5	-32.3
Financial result	127.9	88.9	43.9
Net income for the period	198.5	92.6	114.4
EBITDA	149.1	40.7	267.1
EBITDA margin	33.3%	9.3%	24.0 p.p.
Gross debt	66.4	73.2	-9.3
Earnings per share (R\$)	5.37	2.51	113.9
SOCIAL			
Number of employees	446	457	-2.4
Net income per employee (R\$ million)	1.00	0.96	0.9
Hour of training/employee	15.3	74.4	-79.8

EMAë's generated energy and the capacity of its hydroelectric plants are contracted by the Granting Authority under the quota regime, whereas its subsidiary Pirapora holds 90% of its physical guarantee contracted through a regulated auction.

The quotas are determined by the Brazilian Electricity Regulatory Agency (ANEEL), which defines the Annual Generation Revenue (AGR), a fixed revenue paid to the Company for the availability of the plants under the quota regime. At the same time, in accordance with the quota regime, EMAë does not participate in the hydrological risk, and the charges for the use of the electric grid and the sectorial charges associated with the hydroelectric plants under its management are only passed on to the corresponding agents.

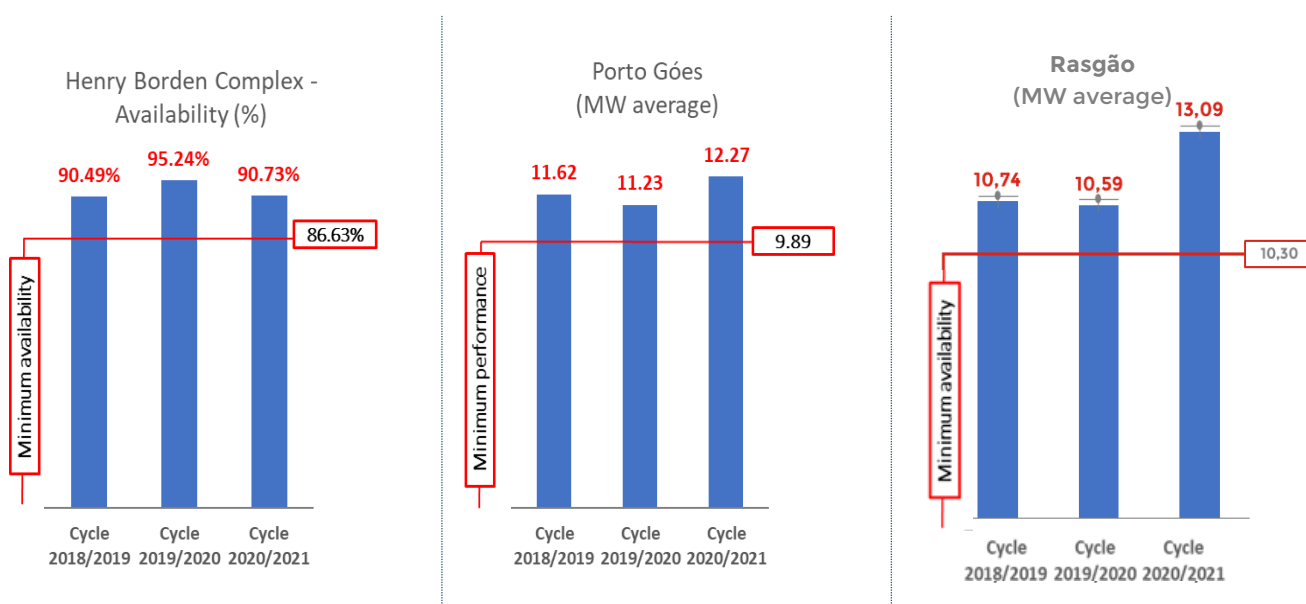
The concession of the hydroelectric plants granted to EMAë and its subsidiary total 960.8 MW of installed capacity in 2020, which accounts for 0.86% of Brazil's hydroelectric generating capacity.

Generation quality standard

ANEEL assesses the quality of service provided by the hydroelectric plants under the quota regime by means of the performance indicator, namely AdU - Adjustment for Unavailability. According to the score, this indicator is added to or deducted from the calculation of the annual tariff adjustment in July of each year.

EMAë has been continuously endeavoring to keep the performance indicators of its plants within regulatory parameters. This was a challenge in 2020, considering the pandemic situation and its repercussions, with the introduction of more stringent distancing and sanitary measures, as well as new working practices.

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The subsidiary Pirapora started its operations in 2015, and in 2020, it produced 133,807.598 MWh, which corresponds to 15.23MW on average for the year, a production 33.6% higher than the generation recorded in 2019, exceeding the minimum generation of 10.3MW, established by ANEEL for the year.

Risk Management

The Company adopts several actions aiming at identifying, monitoring and tackling the risks related to its activities. In order to achieve these objectives, the Compliance Department is responsible for the Company's risk management.

In March 2020, EMAE approved its Risk Management Policy, thereby reinforcing its commitment to the enhancement of its governance, risk, and compliance (GRC) practices. The policy establishes guidelines for the identification and management of corporate risks that may have an impact on the Company's operations and on the fulfillment of its strategies.

In 2020, new procedures were also introduced, such as the diagnosis of information security processes, in order to be consistent with compliance requirements, including those arising from the General Data Protection Law (GDPL).

Executive Committee for Risk Management

In February 2020, the Executive Committee for Risk Management was installed, a body that provides advisory to the Executive Board, the Audit Committee and the Board of Directors of EMAE. Its objective is to evaluate the monitoring and recommendations for enhancing the Company's risk monitoring and control process, so as to assist the Management in the administration of resources and protection of the Company's assets, anchored on the strategic guidelines and on EMAE's risk profile.

Privacy Committee

Composed of representatives from all the Company's divisions, the Privacy Committee was created in December 2020, with the purpose of monitoring the use of personal data by the Company, in order to comply with the provisions set forth by the GDPL.

Safety of Dams

As part of its operational structure, EMAE controls a hydraulic system comprising 20 dam-related structures, including dams, dikes, and spillways. These structures are monitored by about 900 auscultation instruments installed, from which local readings are taken periodically, generating about 48,000 readings/year. Several instruments are checked and read on a daily basis, and the data collected are input into specific software, which enables a comprehensive follow-up of the behavior of such structures.

In 2020, advances in terms of analysis and reporting were incorporated. The current standard adds greater reliability, ensuring the stability and safety conditions of the dams.

In addition to the regular instrument readings, EMAE carries out semi-annual safety inspections of the dams, before and after the rainy season, in line with legal requirements.

All the Company's structures rely on a Dam Safety Plan, including Emergency Action Plans, which are reviewed annually. Thus, in 2020 these plans were duly reviewed and updated, to reflect organizational needs and procedure updates.

In addition to the safety-related procedures, which are the Company's top priorities, Periodic Safety Reviews (PSRs) are carried out, also required by the dam safety law. The PSRs aim to perform an in-depth diagnosis of the general safety status of the structures, as well as the updating of hydrological data on the hydrographic basins, the project criteria and the conditions of use and occupation of the land on the banks of the dammed water and upstream of the dam.

Emergency Action Plans - EAP

EMAE believes that prevention, information and cooperation are fundamental in creating a culture of safety within the surrounding areas of its power plants. In this sense, it keeps Emergency Action Plans (EAPs) for its dams and all other structures that meet the requirements of the Brazilian Dam Safety Policy, and include notification and alert procedures, flood maps, escape route signs, and an emergency notification flowchart.

All EAPs have been reviewed and, during the year, interactions were held with municipal governments in the regions where EMAE operates. The Company provides support to municipal bodies in the preparation of their Contingency Plans, and has provided signs to identify escape routes and meeting points in the Self-Safeguarding Areas. In 2020, the Company has established the technical specifications for hiring specialized companies to implement the EAPs, which involves actions such as communication programs with the population and training.

2.5. Corporate Governance

The corporate governance model adopted by EMAE is based on ethical principles, focused on integrity and responsibility in decision making, always aiming to create value for all stakeholders with whom the Company relates. As a publicly-held corporation, EMAE's highest decision-making body is the General Shareholders' Meeting, which relies on the advisory support from the Advisory and Eligibility Committee, responsible for supervising the nomination and assessment process of Managers and Fiscal Council Members.

The corporate governance model adopted by CPFL Energia and its subsidiaries is based on the principles of transparency, equity, accountability and corporate responsibility.

The Board of Directors has, as its main functions, the superior guidance and the Company's strategic directives and the monitoring of the activities, as well as of the Executive Board's acts. Under the current mandate, the Body is made up of 11 effective members, two of which are independent, one elected by the preferred shareholders, and one employee representative. The Body relies on the technical support from the Audit Committee, which comprises five members, coordinated by a member of the Board of Directors and which, among other functions, oversees compliance with the Code of Conduct and Integrity and oversees the preparation of financial statements, internal controls and internal auditing.

EMAE holds a permanently functioning Fiscal Council, elected annually by the General Shareholders' Meeting. At the end of 2020, the Fiscal Council was made up of five effective members, one of which was elected by the preferred shareholders, and their respective alternates.

The Company's Executive Board is responsible for carrying out the activities and the strategy approved by the Board of Directors. It is made up of four members: Chief Executive Officer, Chief Financial and Investor Relations Officer, Chief Administrative Officer, and Chief Generation Officer.

In addition to its Bylaws, policies, codes and practices establish rules and principles that ensure good corporate governance for the Company, such as the Health and Safety Policy, Disclosure of Material Information, Distribution of Dividends, Transactions with Related Parties and the Policy for Contracting the Independent Auditor to perform other services, in addition to the Code of Conduct and Integrity, available at: <https://emae.globalri.com.br/pt/politicas-e-regimentos-internos>.

In 2020, new corporate governance tools were put in place to ensure the maintenance of best practices. New policies for Risk Management and Management Appointment were reviewed and implemented, the internal regulations for the Ethics Committee were installed, standards and procedures for evaluating transactions with related parties were adopted, and specific adjustments were performed with regard to the Integrity Program and the Code of Conduct and Integrity. The Risk Management Executive Committee was

also installed, which provides support to the Executive Board, the Audit Committee and the Board of Directors.

The business monitoring and control tools have been enhanced with the introduction of a structured risk management and internal control process. In 2020, a new methodology was introduced to evaluate EMAE's strategic risks, identified in the Reference Form. The most critical risks are those related to reputation, strategic management and business model, capital availability, environmental accidents, information security, contract management, human resources, and actuarial risks.

A diagnosis of the information security processes has also been carried out, so as to incorporate the compliance requirements, especially considering the demands laid down by the General Data Protection Law (GDPL). In July 2020, EMAE completed the first stage of the project that involved three aspects: (i) mapping the use of personal and/or sensitive data; (ii) defining the level of compliance with the legislation; and (iii) drafting an action plan to achieve full compliance. The second step involves several activities, including all the necessary measures outlined in the action plan. In order to monitor the entire process of adapting and maintaining the new directives related to the GDPL, the Privacy Committee was created in December, with representatives from all divisions.

Internal Control System

EMAE establishes the guidelines for carrying out its procedures, by means of governance and management documentation. These documents specify the values, scope, and responsibilities for the performance of these activities, as well as standardize and establish the rules for their execution.

The control of the Company's activities is carried out through the SAP/R3 system, which is a parameterized tool to reflect the business rules established in the management and governance documents. The SAP/R3 enables the identification for the segmentation of functions and levels of approvals, the estimated and actual budget, the forecast of expenditures and cash flow. Therefore, it is possible to keep control of EMAE's economic, operational, and financial cycles, with an appropriate degree of reliability, and the correct application of the accounting standards set out by the regulatory bodies, CVM and ANEEL.

The Company relies on an Internal Audit Department, usually making use of multidisciplinary committees for specific tasks, which aim to evaluate and improve existing internal processes and controls, as well as to establish new routines, in order to reduce deadlines, to enhance the accuracy and reliability of information, and to mitigate risks.

In 2020, in line with the search for continuous improvement in transparency and fairness of information, reporting and accountability, the policies for Risk Management and Nomination were established (information below in "Governance Policies and Practices"), in addition to adjustments made to the Integrity Program and the Code of Conduct and Integrity. In its 3rd version, approved at the 363rd Board of Directors Meeting held on

February 19, 2020, the Code serves as a conduct guideline, inspired by ethical principles, defining the concepts that guide the actions and commitments of institutional conduct regarding the interactions of EMAE, its subsidiaries, its employees and all those who act on its behalf.

The Internal Regulation of the Company's Ethics Committee has also been enacted. Its purpose is to guide, advise, propose actions concerning the dissemination of and compliance with the Code of Conduct and Integrity, evaluate, deliberate on and propose sanctions for conducts that violate the rules, values, and principles contained in the Code.

Also with regard to the control system, the Company has taken a more thorough approach towards compliance and integrity practices, in the sense of integrating the compliance perspective into all decision-making processes.

Evaluation of Management

The performance of the Executive Officers is evaluated on a yearly basis, in line with the requirements set forth in the State Capitals Defense Council Resolution No. 4, dated November 24, 2019, and in accordance with Law No. 13,303/16, which address: (i) the exposure of management acts performed in relation to the lawfulness and effectiveness of the administrative action; (ii) the contribution to the results for the period; (iii) the achievement of the objectives established in the business plan, and in meeting the long-term strategy; (iv) the aspects related to the financial statements; (v) the contribution from the Board of Directors and the Audit Committee; (vi) the interaction with the Board of Directors; (vii) the Company's technical knowledge; and (viii) individual self-assessment.

The outcome of the evaluation carried out in 2020 classified the performance - collegiate or individual - of the Executive Officers as above the legal and statutory expectations.

Independent Auditors – CVM Instructions 381/03

In June 2020, the Company hired the firm Russel Bedford Brasil Auditores Independentes S/S as its external auditor, since the previous external audit firm had cancelled its registration with the CVM.

In compliance with the Brazilian standards for preserving the independence of the external auditor, Russel Bedford Brasil has not provided any services other than those related to the audits of the financial and regulatory accounting statements of EMAE and its wholly-owned subsidiary Pirapora Energia S.A.

2.6. Management Composition and Compensation

Board of Directors

Submitted to the General Shareholders' Meeting, the highest authority of EMAE's Management is the Board of Directors, made up of eleven members, elected by the General Shareholders' Meeting. Among the members of the Board of Directors, EMAE's Bylaws ensure the participation of at least one Independent member, one member elected by the preferred shareholders, in a separate election, and one member elected by the employees. The Company's CEO is also a member of the Board of Directors.

At the end of 2020, its composition was as follows:

Name	Position
Luiz Carlos Lustre	Chairman
Eduardo de Freitas Teixeira	Independent Member
Raul Iberê Malagó	Independent Member
Marcio Rea	Member elected by controlling shareholder
Nelson Luiz Rodrigues Nucci	Member elected by controlling shareholder
Paulo Ferreira	Member elected by controlling shareholder
Carlos Antonio Luque	Member elected by controlling shareholder
Rita Joyanovic	Member elected by controlling shareholder
Zevi Kann	Member elected by controlling shareholder
Ronaldo Garcia Barboza	Member elected by the preferred shareholders
Paulo Cesar do Carmo	Member elected by the employees

Executive Board

The Company's Executive Board is composed of a Chief Executive Officer and three Officers, who perform their duties in compliance with the Company's Bylaws and the Executive Board's Internal Regulations. Its members are elected by the Board of Directors for a two-year term, with a maximum of three consecutive re-elections. During the 2020 fiscal year, the Executive Board held 56 Board Meetings.

On July 22, 2020, the Company's Board of Directors elected Mr. Marcio Rea as the Chief Executive Officer, a position he had held on an interim basis since January 2020, and Mr. Pablo Andrés Fernández Uhart as the Chief Financial and Investor Relations Officer, replacing Mr. Luigi Camilo Amadeu Lazzuri Neto. Also, on September 1, 2020, Mr. Paulo Ernesto Strazzi was elected as Administrative Officer, the position held by the Chief Executive Officer until then.

At the end of 2020, the composition of EMAE's Executive Board was as follows:

Name	Position
Marcio Rea	Chief Executive Officer
Pablo Andrés Fernández Uhart	Chief Financial and Investor Relations Officer
Paulo Ernesto Strazzi	Administrative Officer
Itamar Rodrigues	Power Generation Officer

Management Compensation

The compensation of EMAE's Management (Board Members and Executive Officers), and Members of the Audit Committee and Fiscal Council, is established according to the guidelines of the São Paulo State Treasury, the Company's controlling shareholder, through the State Capitals Defense Council (CODEC), and are subject to approval by the General Shareholders' Meeting.

Once the remuneration of the Executive Officers is established, the compensation of the Members of the Board of Directors is fixed as a percentage of the compensation of those Officers, being 30% for Members of the Board of Directors, and 20% for Members of the Fiscal Council. Excluded from this criterion is the compensation for the Members of the Audit Committee, which is decided upon deliberation of the CODEC.

The Executive Officers' compensation consists of fees, bonuses, annual bonus (equivalent to the 13th salary), an additional 1/3 on top of the remuneration as vacation and benefits.

The compensation of the Members of the Board of Directors and of the Fiscal Council is made up of fees and a yearly bonus. Under the terms of the first paragraph of article 41 of the Bylaws, the compensation of the Committee Members will be fixed by the General Shareholders' Meeting and, in cases in which the Committee Members are also members of the Board of Directors, it will not be cumulative.

For the year 2020, the total amount of management compensation approved by the General Shareholders' Meeting, considering benefits and legal charges, came to R\$ 3.4 million, including the variable compensation of the Officers.

2.7. Environmental Responsibility

Environmental preservation is an integral part of the planning and execution of all EMAE's operations and projects. One of the practices adopted is waste management, which includes both the debris that are disposed of in its structures and reservoirs, and the waste generated in its offices. The waste is collected and forwarded for proper disposal, and then sent for recycling by cooperatives, for composting processes or to official sanitary landfills, depending on its characteristics.

The process of removing debris and floating vegetation contributes to the improvement of the facilities surrounding the medium Tietê and Pinheiros rivers, reducing the volume that would accumulate in the structures' equipment, including the pumping stations.

Ecoboats, used on the Pinheiros River, are floating waste collection boats to help clean up the river. The two Ecoboats currently in operation were developed in EMAE's workshops.

EMAE has installed about 20 new floating barriers at the outflows of all streams that reach the Pinheiros River. By doing this, a large volume of debris is retained before reaching the river, avoiding its dispersion along the water surface. The residues retained in the barriers are removed with the use of excavation-barge sets.

Aiming to promote the environmental and landscape recovery of the Pinheiros River banks, EMAE also participates in the Pomar Urbano (Urban Orchard) Project. This project, developed in partnership with SIMA - Secretary of Infrastructure and Environment of the State of São Paulo, is intended for planting native species of the Atlantic Forest in the surrounding areas of the river.

The Company also participates, together with SIMA, in the implementation of a linear park on the west bank of the Pinheiros River, with an extension of approximately 17 km, called New Pinheiros River Park, which is part of the New Pinheiros River Project. This initiative will enable the construction of a new leisure area with an extension of 8.2 km, connecting other public parks in the region, and will have a new bike lane, walking track, and spaces for physical exercise, food, and parking, with no onus, bond, or revenue for the Company.

3. FINANCIAL STATEMENTS

BALANCE SHEET

As at December 31, 2020

(Amounts in thousands of *Reais* - R\$)

		Parent Company		Consolidated	
	Explanatory Notes	12.31.20	12.31.19	12.31.20	12.31.19
ASSETS					
CURRENT					
Cash and cash equivalents.....	4	507.702	397.457	518.714	412.922
Distributors.....	5	36.526	33.769	40.805	37.979
Indemnifiable financial assets.....	10	14.848	14.990	14.848	14.990
Recoverable income tax and social contribution.....		11.342	2.771	11.245	2.946
Offsetable taxes and social contributions		1.420	1.199	1.420	1.199
Inventories.....		1.865	1.609	1.865	1.609
Prepaid expenses.....		4.443	2.930	4.550	3.000
Lease TEP Piratininga.....	6	112.714	91.558	112.714	91.558
Financial asset - Sabesp.....	20.1	17.584	16.824	17.584	16.824
Guarantees and tied deposits	9	11.749	11.671	14.466	11.671
Other credits.....	7	8.083	10.621	3.616	6.537
		728.276	585.399	741.827	601.235
NON-CURRENT					
Long-term assets					
Lease UTE Piratininga.....	6	283.387	294.160	283.387	294.160
Financial asset - Sabesp.....	20.1	77.677	85.208	77.677	85.208
Deferred income tax and social contribution.....		48.052	-	48.052	-
Guarantees and tied deposits	9	25.329	14.124	25.329	17.067
Indemnifiable financial assets.....	10	102.919	77.660	102.919	77.660
Concession reversible asset.....	11	195.374	195.374	195.374	195.374
Investments.....	12	96.996	96.973	1.390	1.390
Property, plant and equipment.....	13	78.683	72.147	227.463	222.237
Intangible assets.....		7.730	5.657	7.999	6.004
		916.147	841.303	969.590	899.100
TOTAL ASSETS.....		1.644.423	1.426.702	1.711.417	1.500.335

The accompanying notes are an integral part of the financial statements

BALANCE SHEET

As at December 31, 2020

(Amounts in thousands of *Reais* - R\$)

		Parent Company		Consolidated	
	Explanatory Notes	12.31.20	12.31.19	12.31.20	12.31.19
LIABILITIES					
CURRENT LIABILITIES					
Suppliers.....		4.192	4.413	4.656	4.627
Loans and financing.....	14	-	-	66.361	5.208
Payroll.....		4.593	3.257	4.593	3.257
Estimated obligations - payroll.....		15.982	14.491	15.982	14.491
Pension plan to employees.....	15	31.744	4.915	31.744	4.915
Income tax and social contribution.....		5.562	5.469	5.718	5.676
Dividends and Interest on equity.....		237.990	26.880	237.990	26.880
Services - Canal Pinheiros.....	20.3	-	53	-	53
Sectoral charges.....		4.477	6.439	4.490	6.445
Special obligations - RGR.....	17	1.801	1.801	1.801	1.801
Guarantees and tied deposits		11.288	11.095	11.288	11.095
Grid usage charges.....		196	183	196	205
Other liabilities - concession investments.....	18	38.200	38.410	38.200	38.410
Obligation COMGAS.....	19	481	-	481	-
Other liabilities.....		10.071	1.594	10.071	1.594
		366.577	119.000	433.571	124.657
NON-CURRENT					
Long-term liabilities					
Loans and financing.....	14	-	-	-	67.976
Pension plan to employees.....	15	308.005	44.071	308.005	44.071
Deferred income tax and social contribution.....	8.2	-	33.803	-	33.803
Other liabilities - concession investments.....	18	166.275	169.868	166.275	169.868
Obligation COMGAS.....	19	9.993	-	9.993	-
Sectoral charges.....		769	769	769	769
Provisions for labor, civil and tax risks.....	16	65.291	58.165	65.291	58.165
Special obligations - RGR.....	17	9.000	10.801	9.000	10.801
		559.333	317.477	559.333	385.453
SHAREHOLDERS' EQUITY					
Share capital.....		285.411	285.411	285.411	285.411
Capital reserves.....		387.130	387.130	387.130	387.130
Other comprehensive income.....		(186.123)	8.832	(186.123)	8.832
Earnings reserves.....		218.095	308.852	218.095	308.852
Additional dividend proposed.....		14.000	-	14.000	-
		718.513	990.225	718.513	990.225
TOTAL LIABILITIES AND EQUITY.....		1.644.423	1.426.702	1.711.417	1.500.335

INCOME STATEMENT

For the years ended December 31, 2020 and 2019

(amounts in thousands of *Reais* - R\$, except earnings per shares)

	Explanatory Notes	Parent Company		Consolidated	
		2020	2019	2020	2019
Net revenue.....	22	414.106	405.996	447.131	439.003
Cost of energy.....	23	(234.868)	(347.268)	(240.538)	(355.524)
Gross profit.....		179.238	58.728	206.593	83.479
Operating income/expenses					
General and administrative expenses.....	23	(57.072)	(47.586)	(61.371)	(47.693)
Other income and (expenses).....	23	(1.877)	(926)	(2.108)	(926)
Equity in earnings of non-controlled companies.....	12	17.354	18.540	-	-
		(41.595)	(29.972)	(63.479)	(48.619)
Operational Profit.....		137.643	28.756	143.114	34.860
Financial result					
Income.....	24	32.038	40.334	32.542	41.983
Expenses.....	24	(798)	(1.545)	(5.462)	(7.610)
Net monetary variations.....	24	100.852	54.565	100.852	54.565
		132.092	93.354	127.932	88.938
Profit before tax & social contribution.....		269.735	122.110	271.046	123.798
Income tax and social contribution					
Current.....	8.1/8.2	(52.674)	(58.197)	(53.985)	(59.885)
Deferred.....	8.1/8.2	(18.576)	28.723	(18.576)	28.723
Net profit.....		198.485	92.636	198.485	92.636
Earnings per share.....					
Controlling and non-controlling shareholders.....		198.485	92.636	198.485	92.636
Basic and diluted earnings per share		5,3721	2,5073	5,3721	2,5073

The accompanying notes are an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended december 31, 2020 and 2019

(Amounts in thousands of *Reais* - R\$)

	Parent Company and Consolidated	
	2020 Accumulated	2019 Accumulated
Net income for the year.....	198.485	92.636
Items not to be reclassified to profit or loss in subsequent periods.....		
Actuarial valuation adjustment.....	(295.387)	85.892
Effect from income tax and social contribution.....	100.432	(29.203)
Total comprehensive income for the year.....	3.530	149.325

The accompanying notes are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the years ended december 31, 2020 and 2019

(Amounts in thousands of *Reais* - R\$)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in thousands of *Reais* - R\$)

DESCRIPTION	SHARE CAPITAL	CAPITAL RESERVE		OTHER COMPREHENSIVE INCOME ADJUSTMENTS TO LIABILITY ITEMS	PROFIT RESERVES					ADDITIONAL DIVIDEND PROPOSED	RETAINED EARNINGS (LOSSES)	TOTAL
		INVESTMENT SUBSIDIES	TAX INCENTIVES		LEGAL RESERVE	RETAINED EARNINGS RESERVE	GRANT REPURCHASE	UNREALIZED PROFIT RESERVE	ASSET RECOVERY RESERVE			
Balance as at January 1, 2018.....	285.411	383.618	3.512	(47.857)	16.328	15.022	72.331	55.598	84.892	-	-	868.855
Actuarial gains and losses net of tax effect.....	-	-	-	56.689	-	-	-	-	-	-	-	56.689
Net income for the period.....	-	-	-	-	-	-	-	-	-	-	92.636	92.636
Legal reserve constitution.....	-	-	-	-	4.632	-	-	-	-	-	(4.632)	-
Realization of unrealized earnings reserve.....	-	-	-	-	-	-	-	(5.954)	-	-	-	(5.954)
Asset Recomposition.....	-	-	-	-	-	-	-	-	66.003	-	(66.003)	-
Mandatory Dividend.....	-	-	-	-	-	-	-	-	-	-	(22.001)	(22.001)
Balance as at January 1, 2019.....	285.411	383.618	3.512	8.832	20.960	15.022	72.331	49.644	150.895	-	-	990.225
Full realization of retained earnings reserve.....	-	-	-	-	-	(15.022)	-	-	-	-	-	(15.022)
Full realization of the grant buyback reserve.....	-	-	-	-	-	-	(72.331)	-	-	-	-	(72.331)
Partial realization of asset recomposition reserve.....	-	-	-	-	-	-	-	-	(134.240)	-	-	(134.240)
Asset Recovery Reserve.....	-	-	-	-	-	-	-	-	127.421	-	(127.421)	-
Actuarial gains and losses net of tax effect.....	-	-	-	(194.955)	-	-	-	-	-	-	-	(194.955)
Net income for the period.....	-	-	-	-	-	-	-	-	-	-	198.485	198.485
Legal reserve constitution.....	-	-	-	-	9.924	-	-	-	-	-	(9.924)	-
Realization of unrealized earnings reserve.....	-	-	-	-	-	-	-	(6.509)	-	-	-	(6.509)
Additional dividend proposed.....	-	-	-	-	-	-	-	-	-	14.000	(14.000)	-
Mandatory Dividend (and interest on equity).....	-	-	-	-	-	-	-	-	-	-	(47.140)	(47.140)
Balance as at January 1, 2020.....	285.411	383.618	3.512	(186.123)	30.884	-	-	43.135	144.076	14.000	-	718.513

The accompanying notes are an integral part of the financial statements

Free translation not audited from the original in Portuguese

CASH FLOW STATEMENT

For the years ended december 31, 2020 and 2019

INDIRECT METHOD (Amounts in thousands of *Reais* - R\$)

	Parent Company		Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
Operating activities				
Net income for the year.....	198.485	92.636	198.485	92.636
Equity in earnings of non-controlled companies.....	(17.354)	(18.540)	-	-
Depreciation and amortization.....	1.836	1.674	5.999	5.761
Pension plan expenses.....	2.935	6.324	2.935	6.324
Allowance for doubtful accounts.....	542	21	542	21
Provisions for labor, civil and tax risks.....	16.636	4.223	16.636	4.223
Deferred taxes.....	18.575	(28.723)	18.575	(28.723)
Interest on financing.....	-	-	4.652	6.058
Provision - concession investments.....	208	141.946	208	141.946
Updating of tied deposits.....	(416)	394	(416)	394
Realization of deferred revenue.....	-	(5.272)	-	(5.272)
Interest and monetary variations Sabesp agreement.....	(11.042)	(11.702)	(11.042)	(11.702)
Interest and monetary variations of the UTP Piratininga lease....	(110.821)	(66.005)	(110.821)	(66.005)
Changes in assets and liabilities				
Resellers.....	(2.757)	493	(2.826)	523
Offsetable taxes and social contributions	(221)	411	(221)	442
Recoverable income tax and social contribution.....	46.576	55.062	48.016	56.444
Services - Canal Pinheiros.....	(53)	3.227	(53)	3.227
Inventories.....	(256)	321	(256)	321
Prepaid expenses.....	(1.513)	(1.434)	(1.550)	(1.423)
Guarantees and tied deposits	(10.867)	(2.486)	(10.641)	(2.079)
Sabesp.....	17.813	17.246	17.813	17.246
Other credits.....	1.714	3.622	2.379	4.310
Suppliers.....	(221)	(2.094)	29	(2.136)
Payroll.....	1.336	(2.234)	1.336	(2.234)
Estimated obligations - payroll.....	1.491	4.314	1.491	4.314
Contributions to pension plan.....	(7.559)	(3.101)	(7.559)	(3.101)
Income tax and social contribution.....	93	(659)	42	(633)
Regulatory charges.....	(1.962)	1.244	(1.955)	1.245
Payment of civil and labor contingencies.....	(9.510)	(4.119)	(9.510)	(4.119)
Grid usage charges.....	13	1	(9)	6
Tied deposits.....	193	-	193	-
Obligation COMGAS.....	10.474	-	10.474	-
Special obligations - RGR.....	(1.801)	(1.800)	(1.801)	(1.800)
Others.....	8.478	(2.617)	8.478	(2.617)
	151.045	182.373	179.623	213.597
Interest on financing paid.....	-	-	(4.688)	(5.835)
Dividends received.....	17.613	15.360	-	-
Income tax and social contribution paid.....	(58.713)	(56.775)	(59.881)	(58.332)
Net cash provided by (used in) operating activities	109.945	140.958	115.054	149.430
Investing activities				
Acquisition of property, plant and equipment.....	(7.299)	(3.406)	(10.074)	(5.045)
Indemnifiable financial assets.....	(29.128)	(20.171)	(29.128)	(20.171)
Acquisition of intangibles.....	(3.146)	(3.115)	(3.146)	(3.508)
Financial lease receipt.....	100.438	94.300	100.438	94.300
Net cash flow used in investing activities	60.865	67.608	58.090	65.576
Financing activities				
Interest on equity and dividends paid.....	(60.565)	(27.735)	(60.565)	(27.735)
Loans and Financing.....	-	-	(6.787)	(6.782)
Net cash flow provided by financing activities	(60.565)	(27.735)	(67.352)	(34.517)
Net increase in cash and cash equivalents for the year	110.245	180.831	105.792	180.489
Opening balance of cash and cash equivalents.....	397.457	216.626	412.922	232.433
Closing balance of cash and cash equivalents.....	507.702	397.457	518.714	412.922
Net increase in cash and cash equivalents	110.245	180.831	105.792	180.489

The accompanying notes are an integral part of the financial statements

STATEMENT OF ADDED VALUE

For the years ended december 31, 2020 and 2019

(Amounts in thousands of *Reais* - R\$)

	Parent Company		Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
GENERATION OF ADDED VALUE				
Revenues				
Operating revenues.....	443.627	439.333	478.031	473.704
Other income.....	(1.876)	(926)	(1.876)	(926)
Allowance for doubtful accounts - constitutions.....	(542)	8.146	(542)	8.146
Revenues related to the construction of own assets.....	37.415	29.066	41.299	29.989
	478.624	475.619	516.912	510.913
Less:				
Inputs				
GSF (physical guarantee).....	-	-	1.449	1.086
Grid usage charges.....	41.290	35.804	41.557	36.087
Outsourced services.....	78.338	72.498	83.705	75.679
Materials.....	27.325	15.314	29.250	15.627
Provision - concession investments.....	208	141.946	208	141.946
Other operating costs.....	15.483	3.634	15.707	3.862
	162.644	269.196	171.876	274.287
GROSS ADDED VALUE.....	315.980	206.423	345.036	236.626
DEPRECIATION.....	(1.836)	(1.674)	(5.999)	(5.761)
NET ADDED VALUE PRODUCED BY THE ENTITY.....	314.144	204.749	339.037	230.865
ADDED VALUE RECEIVED BY TRANSFER				
Financial income.....	32.038	40.334	32.542	41.982
Equity in earnings of non-controlled companies.....	17.354	18.540	-	-
Net monetary variations.....	100.852	54.565	100.852	54.565
Realization of loss (write-off of receivables).....	-	-	(231)	-
	150.244	113.439	133.163	96.547
TOTAL VALUE ADDED TO BE DISTRIBUTED.....	464.388	318.188	472.200	327.412
DISTRIBUTION OF ADDED VALUE				
Employees:				
Salaries and benefits (except for INSS/FGTS).....	90.350	85.532	90.601	85.532
Pension plan entity for employees - Contribution to the plan.....	2.935	6.324	2.935	6.324
F.G.T.S.....	4.525	4.450	4.541	4.450
	97.810	96.306	98.077	96.306
Taxes, charges and contributions:				
Regulatory charges				
Financial compensation for the use of water resources.....	7.136	10.503	7.136	10.503
Inspection charge for the public electric power service.....	1.340	1.267	1.416	1.344
Research and Development - R&D.....	3.755	3.509	3.755	3.509
	12.231	15.279	12.307	15.356
Federal				
Income tax and social contribution.....	71.250	29.474	72.561	31.162
COFINS/PIS.....	51.987	50.473	53.366	51.837
INSS.....	16.612	15.371	16.668	15.371
	139.849	95.318	142.595	98.370
Municipal:				
ISS.....	746	1.473	746	1.473
IPTU.....	8.609	12.827	8.609	12.827
	9.355	14.300	9.355	14.300
	161.435	124.897	164.257	128.026
Remuneration of external capital				
Interest and debt charges.....	798	1.545	5.462	7.610
Rentals.....	5.860	2.804	5.919	2.834
	6.658	4.349	11.381	10.444
Remuneration of own capital				
Dividends and interest on equity.....	47.140	22.001	47.140	22.001
Retained earnings.....	151.345	70.635	151.345	70.635
Net income for the period.....	198.485	92.636	198.485	92.636
TOTAL DISTRIBUTION OF ADDED VALUE	464.388	318.188	472.200	327.412

The accompanying notes are an integral part of the financial statements

3.1. NOTES

In this section are presented the explanatory Notes to the financial statements for the fiscal years ended december 31, 2020 and 2019. Amounts denominated in thousands of Reais, except where indicated otherwise.

1. OPERATING CONTEXT

Empresa Metropolitana de Águas e Energia S.A. (“EMAÉ” or “Company”), is a mixed joint stock, publicly-held corporation, headquartered in the city of São Paulo, with shares traded on the São Paulo Stock Exchange (‘B3’) – Brazil, Exchange, Over-the-Counter. The São Paulo State Government, through the Finance and Planning Department, holds 97.61% of the Company's common shares. As concerns the preferred shares, it is worth highlighting Eletrobrás – Centrais Elétricas Brasileiras S.A, which showed a 64.82% share in this type of shares as at December 31, 2020.

The Company's main activities include: planning, construction, operation, and maintenance of systems for generation and sale of electric energy.

As an electric power utility concessionaire, EMAÉ's operations are regulated and supervised by the Brazilian Electric Energy Regulatory Agency (ANEEL), tied to the Ministry of Mines and Energy (MME).

Power plants concession under quota regime

EMAÉ operates the hydroelectric system formed by hydraulic structures located along the Pinheiros River, and associated with the Henry Borden hydroelectric plant, in the city of Cubatão, and two small hydroelectric plants (SHPs), namely Rasgão, in the city of Pirapora do Bom Jesus, and Porto Góes, in the city of Salto, both located along the Tietê River.

Under Provisional Measure No. 579 of 2012, converted into Law No. 12,783 on January 11, 2013, EMAÉ signed an agreement with the Federal Government, on December 4, 2012, containing an amendment to the Concession Agreement No. 02/2004-ANEEL, extending until November 30, 2042 the concessions to the hydroelectrics of Henry Borden, Rasgão and Porto Góes.

Therefore, since January 2013, all physical guarantee and capacity of each Company plant have begun to be allocated under the quota regime to electric power distribution utility concessionaires connected to the Brazilian Interconnected System (SIN). Each power plant is remunerated through tariff bound to the Annual Revenue Generation (ARG), and subject to the service quality standards laid out by ANEEL.

The ARG, calculated by ANEEL is adjusted on a yearly basis every 5 (five) years. The resulting tariff aims to cover both the operating revenues and costs, maintenance, management, taxes and regulatory charges, inspection fee applied to electric power services, research and development (R&D), as well as financial

compensation for the use of water resources. For the 2018 tariff review, the AGR amount started to take into account both the remuneration and amortization of the investments required for the renewal of concession assets.

Besides, as concerns the generators under the quota regime, there is no charge in connection to the hydrological risks, since those are borne by the distributors that have received the power and capacity quotas.

On July 30, 2020, through the Dispatch No. 2,746, ANEEL published and approved the Annual Revenue Generation for the Hydroelectric Plants under the quota regime, according to the terms set out by Law No. 12,783, of January 11, 2013, and established the tariff associated to EMAE's power and capacity physical guarantee quotas, related to the period between July 1, 2020 and June 30, 2021 (Note 27.3).

Subsidiary Pirapora Energia S.A. (“Pirapora” or “Subsidiary”)

Pirapora, an EMAE's subsidiary, is a Specific Purpose Society, aimed at constructing and operating SHP Pirapora. The ANEEL Normative Resolution No. 1,429, of June 24, 2008, has set out the authorization validity term at 30 years, from the date of its publication. ANEEL Normative Resolution No. 3,242, of December 6, 2011, has transferred from EMAE to Pirapora the authorization to construct the SHP Pirapora. According to such an authorization, at the end of SHP Pirapora's validity term, the assets and facilities related thereto shall be reverted to the Federal Government, upon payment of compensation, or shall alternatively require the authorized company to restore the water free-flow on its own account.

The construction of SHP Pirapora, with a 25 MW installed capacity, and a 17 MW physical guarantee, was completed in December 2014. The release for the start of commercial operations occurred upon both Dispatches No. 4,951, of December 30, 2014, and No. 4,955, of December 31, 2014, for the 1 and 2 units, respectively.

The power generated by Pirapora is sold through power sales contracts on the regulated environment corresponding to an average 16 MW. As at January 1, 2015, the electric energy sales contract started up within the regulated environment (CCEAR) with 27 distributors. These contracts result from the Auction 03/2010 (A-5), held on July 30, 2010. The supply period specified totals 30 years, from January 1, 2015 until December 31, 2044. The clause 4.5 of those agreements provides for the event that the permission ends before the supply term, the successor to the permission ownership shall take on the rights and obligations as set out by the contract.

On the other hand, article 7 of Law No. 12,111/2009 establishes that the electric energy generation enterprise, referred to at section 7- A of article 2 of Law No. 10,848, of March 15, 2004, which comes to enable by auction the right to execute a power sales agreement within the regulated environment (CCEAR) shall be granted an extension of the term of authorization or concession, so as to match its sales contract.

Thus, Pirapora understands that this Law extends the authorization term to match the expiration date of the sales agreement, which was signed within the regulated environment.

Lease of Piratininga Thermoelectric Plant

In addition to the activity of generation, the Company leased the assets of Piratininga Thermoelectric Plant ("TEP Piratininga") on April 27, 2007, to Petróleo Brasileiro S.A. ("Petrobras"). Those assets are operated jointly with the Fernando Gasparian Plant, owned by Petrobras, thus boosting the efficiency of both plants. The lease agreement was authorized by ANEEL's Authoritative Resolution No. 1,218, of January 22, 2008, with a 17-year term, beginning as of the signature date. Besides the lease contract, on the same occasion, an operation and maintenance service agreement related to both Piratininga and Fernando Gasparian plants, by EMAE.

The leased plant holds four generating units, of which only the 3 and 4 units are in full operation, in compliance with the orders issued by the Brazilian System Operator (ONS) since August 7, 2017, under the new operation and maintenance service agreement.

Expansion

EMAE has been authorized, as per State Law No. 14,150 of June 23, 2010, to establish subsidiaries aimed to exploit alternative or renewable sources applicable in power generation, and it may hold a majority or minority share in the equity of public or private companies, or alternatively to form a partnership with such companies, aimed at performing the activities related to its corporate purpose.

As at July 24, 2019, the State Environmental Committee (CONSEMA) endorsed the environmental feasibility of the enterprise "Technological Upgrades of units 1 and 2 of the Termelétrica Piratininga TEP-STP plant", held by Empresa Metropolitana de Águas e Energia (EMAE).

CONSEMA's approval has allowed for the issuing of the preliminary license by CETESB, issued by the body on July 25, 2019, thereby enabling EMAE to participate in energy auctions, to be promoted by the Ministry of Mines and Energy (MME).

The coronavirus pandemic, which hit the country in 2020, has come to aggravate the economic situation, and consequently led to a dramatic fall of the GDP. Moreover, it caused energy consumption to record a drastic reduction, thus affecting supply and the introduction of new energy contracts on the part of Power Distributors. This condition has ruled out the energy auction agenda, at least until the recovery of the economy. Thus, there is no short-term expectation concerning thermal plants' participation in new energy auctions.

Edgard de Souza Structure

On August 1, 2018, the Ministry of Mines and Energy (MME) released Ordinance No. 313, of July 30, 2018, which ruled out the reversal of assets bound to the concession of the Usage of Hydraulic Potential named HPU Edgard de Souza,

discontinued on October 31, 2012, resulting in the free availability of assets to EMAE.

In light of such a decision, the Company has initiated negotiations with the Granting Authority, aiming at acquiring an authorization to boost the mentioned structure, through a request for a Registration of Interest towards the hydrological exploitation, which was granted in April 2019. Thereafter, EMAE prepared a basic project and Executive Summary, and submitted both documents for ANEEL's approval, as concerns the issuance of a Registration Order for the Executive Summary Adequacy (DRS), in order to obtain licensing and a Declaration of Water Availability Reserve (DRDH). In 2020, the DRS was obtained, and the water resources required for the project was granted. At present, the Company is at the stage of development studies aimed to the best energy yield for the licensing procedure and modeling.

Concession of Areas adjacent to the São Paulo Plant for commercial exploitation

EMAE - Empresa Metropolitana de Águas e Energia S.A. ("EMAE" or "Company" - B3: EMAE3 and EMAE4), proceeding to the Announcement to the Market released on July 6, 2020, and pursuant to the provisions set out by CVM Instruction No. 358/02, alongside § 4th of Article 157 of Law 6,404/76, and other applicable provisions, informs its shareholders and the market in general the outcome of the process for the bidding related to the concession, to last until November 30, 2042, involving the onerous use of the areas adjacent to the São Paulo Plant. The winning proposal was presented by the São Paulo Plant Consortium, and amounts to R\$ 280,050,000.00 (two hundred and eighty million, and fifty thousand *Reais*), base September 2020, as a fixed granting, which amount shall be paid to EMAE in monthly installments, as of the 13th (thirteenth) month from the signature of the contract up until November 2042, adjusted on a yearly basis by the variation in the IGPM rate. This amount shall be increased by the payment relative to the variable grant, to be also paid in monthly and successive installments, to be paid from the start-up of the enterprise, calculated over the monthly gross revenue, according to the table below:

CONTRACT VALIDITY TERM	VARIABLE GRANT CALCULATED OVER THE GROSS REVENUE
1 st (first) to the 36 th (thirty-sixth) month	4% (four percent)
37 th (thirty-seventh) to the 72 nd (seventy-second) month	6% (six percent)
73 rd (seventy-third) until the end	8% (eight percent)

MATERIAL FACT

September 29, 2020

Recommendation from the Supervisory Board of the State Privatization Program

EMAE – Empresa Metropolitana de Águas e Energia S.A. (“EMAE” or “Company” – B3: EMAE3 and EMAE4), in accordance with the provisions set out by article 157, § 4th of Law No. 6.404/76 and CVM Instruction No. 358/02, hereby informs its shareholders and the market in general that, over the meeting held on this date,, the Supervisory Board of the State Privatization Program (CDPED), introduced by State Law No. 9,361, of July 5, 1996, has decided to recommend to the Governor of the State of São Paulo to authorize the Treasury and Planning Department to contract studies and services required to the sale of shares held by the State Public Administration at EMAE, pursuant to the terms set out by article 5 of the aforementioned state Law.

The Company shall keep the market informed as regards the unfolding of the subject matter of this Material Fact.

Impacts from Covid -19 on the Company

In view of Circular Letter/CVM/SNC/SEP/ number 02/2020, released on March 10, 2020, the Company has assessed the likely impacts on its operations, deriving from the Covid-19 pandemic, and it has not identified potential negative economic effects concerning the accounting record on its financial statements in 2020.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The individual and consolidated financial statements of the Company were prepared in accordance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as pursuant to the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law, as well as in the Pronouncements, Interpretations and Guidelines issued by the Accounting Pronouncements Committee (CPC), which were approved by the Federal Council of Accountancy (CFC), as well as the Brazilian Securities and Exchange Commission (CVM). The relevant information contained in the individual and consolidated financial statements of the Company, and only it, is being disclosed herein, and is the same information used by Management in its administration of the Company..

The release of the individual and consolidated financial statements was authorized over a meeting of the Board of Directors held on March 4, 2021. Thereafter, the financial statements were examined by the Audit Committee, Fiscal Council, and submitted to the Board of Directors. Following its release, only the Board of Directors has a prerogative to change it.

2.2 Functional currency and basis of preparation

These individual and consolidated financial statements are expressed in *Reais*, the Company's functional currency. All amounts are expressed in thousands of *Reais*, and the figures were rounded up to the nearest thousand, unless otherwise indicated.

2.3 Use of estimates and judgments

In preparing the individual and consolidated financial statements, Management has determined assumptions, based on its best judgment of the information available at the time, and used estimates to use as a reference to calculate some reported amounts such as assets, liabilities, income and expenses. Actual results may differ from those estimates. Those estimates and assumptions are periodically reviewed, and as new facts or information are available, the estimated amounts are recalculated. The effects from such changes are prospectively recognized.

The information on the main estimates and judgments, whose amounts are relevant for the individual and consolidated financial statements, are included in the following explanatory notes:

- Note 3.13 – Reduction of the recoverable value of assets
- Note 6 – Lease: determination of whether an agreement contains a lease;
- Note 7 – Adjustments for loss on doubtful accounts;
- Note 8 – Recognition of deferred income tax and social contribution;
- Note 10 – Determination of the offset financial asset;
- Note 11 – Concession reversible asset;
- Note 13 – Property, plant and equipment: assessment of useful life and impairment analysis;
- Note 15 – Measurement of the defined benefit obligation, determined by both the pension plan entity and employees;
- Note 16 – Recognition and measurement of the provision for labor, civil and tax risks;
- Note 18 – Other Obligations – Investments in the concession in concession;
- Note 26 – Financial instruments.

2.4 Basis of measurement

The financial statements were prepared on a historical cost basis, except in the case of certain assets or liabilities, net of benefits granted to employees as determined by the pension plan, recognized as the fair value of the plan assets, less the present value of the defined benefit obligation, which is restricted as explained in Note 15.

2.5 Consolidated financial statements

Consolidated financial statements include the financial information on the Company and of its subsidiary Pirapora Energia S.A. The subsidiary's fiscal year included in the consolidation coincides with the Parent Company's. The accounting practices adopted by the subsidiary are uniformly applied in the consolidation in line with the Parent Company, and are consistent to those applied in the previous fiscal year.

The main consolidation procedures were: (a) elimination of intercompany asset and liability account balances between the consolidated companies; and (b) elimination of the Parent Company's interests in the capital of the subsidiary.

2.6 Statements of value added (SVA)

The purpose of the statements of value added is to highlight the added value generated by the Company, as well as its distribution during the year. It is presented in line with the Brazilian corporate law, and in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Value Added, and also as supplementary information for the purpose of IAS 34.

2.7 Information by segment

The Company's Collegiate Board carries out the monitoring and review of the operations performed by both the Company and its subsidiary in an integrated manner, considering the existence of a single segment, namely the power generation.

Thus, the information by segment is not shown herein, since it is similar to those presented in the Consolidated Income Statement.

3. MAIN ACCOUNTING POLICIES

3.1 Operating revenues

The sources of operating revenues concerning the Company and its subsidiary refer to:

Quota regime

The Annual Generation Revenue (AGR) of the plants object of the second amendment term to the concession agreement remunerate the operations

and maintenance services, the investments made, investments to be carried out, and the regulatory charges. The AGR related to the operations and maintenance services and the regulatory charges is recognized on a monthly basis to the result at the ratio of 1/12th, so as to allow for the comparison with the costs and expenses stemming from the operations and maintenance services, as well as from the charges incurred during the same period. The receipt of such quotas occur on a monthly basis, in the same proportion as the recognized income.

Revenue from the rendering of services

The Company holds service rendering contracts involving the operation and maintenance of TEP Piratininga and its subsidiary Pirapora Energia S.A.. The Company recognizes the revenue from the rendering of services, as the contracted services are carried out.

Revenues related to the Concession's construction of assets

The proposal adopted by ANEEL applied in the 2018 included in Revenue, installment for the implementation of improvements (GAM improvements), with the purpose to enhance the level of service quality, thus prioritizing the energy security of the Brazilian Interconnected System (SIN).

As concerns the value assigned to the Generation Asset Management (GAM) improvement, it comprised, among other aspects, the replacement and modernization of all hydraulic and electromechanical equipment, as well as the investment costs related to environmental expenses and Management requirements, up until the end of the concession.

The costs related to the replacement and modernization of hydraulic and electromechanical equipment are being accrued under the caption "Other Obligations - Investments in the concession", in accordance with the criteria referred to in item 21 of ICPC 01 - Concession Contracts, based on estimates for necessary and prudent investments, which are prepared by Management and subject to approval by the Company's Board of Directors.

3.2 Financial income and expenses

Interest-bearing income and expenses are recognized in the result, as income is earned or interests incurred. The monetary adjustment is applied to the result, pursuant to the change in monetary updating indices in the period of competency.

3.3 Pension Plan to Employees

A) Short-term benefits to employees

Expenses with short-term benefits to employees are recognized in the result, under the caption "Social security entity to employees".

B) Defined contribution plan

The contribution obligations related to the defined contribution plan are recognized in the result, under the caption "Social security entity to employees", when the corresponding services are rendered by the employees.

C) Defined benefit plan

The Company's net obligations related to the defined benefit plan are calculated on an individual basis for each plan, considering the estimated value of the future benefit, which the employees shall receive in return for the services rendered, during the current period and in previous periods. The benefit is discounted to its present value, so as to determine the Company's obligation as at the ending date of each fiscal year, which is presented net of any previous service costs, which have not been recognized and the fair value of any assets of the Plan.

The calculation of the obligation to the defined benefit is carried out by a qualified actuary.

Measurement of the obligation net of the defined benefit, which includes: actuarial gains and losses, the return on the plan assets (excluding interests), and the effect of the asset ceiling (if applicable, excluding interests), are registered directly to "other comprehensive income", under shareholders' equity. Net interests and other expenses related to the defined benefit plan are registered in the result.

3.4 Taxes and regulatory charges levied on sales and services

The main taxes levied on the revenues of sales and services are as follows:

Tax on services – from 2% to 5%, levied on services of any nature;

Social Integration Program (PIS) – 1.65% levied on electric power quotas, on the AGR and rendering of services;

Social Security Financing Contribution (COFINS) – 7.60% levied on electric power quotas, on the AGR and rendering of services;

Regulatory charges – consisting of the amounts spent by way of financial compensation over water resources, as well as the inspection fee levied on electric energy services;

R&D – Research and Development Program – consists of 1% of the net operating revenue from generation, according to ANEEL's resolution.

Such taxes and charges are deducted from the revenues from sales and services, which are presented in the income statement at net value. The non-accrued credits of PIS and COFINS over operating costs and expenses

are presented as reducing agents over this group of accounts in the Income Statement.

3.5 Income Tax and Social Contribution Over Earnings

Income Tax and Social Contribution for the current and deferred fiscal years are calculated based on a 15% tax bracket, plus a surtax of 10% on taxable income, exceeding R\$240 a year for the computation of income tax, while social contribution is calculated at the rate of 9% of taxable income, and when applicable, it is considered that the offsetting of tax losses and negative base for the social contribution tax, limited to 30% of taxable income for the period.

Expenses with the income tax and social contribution comprise current and deferred income tax and social contribution. The current and deferred income taxes are registered in the result, unless they are related to items that are directly recognized in the shareholders' equity or in other comprehensive results.

Taxes payable or recoverable, current or deferred, can only be offset if certain legally permitted criteria are met.

The Subsidiary Pirapora Energia S.A. opted in the years 2020 and 2019 for taxation through Demeed Taxable Income Method.

Expenses of current income tax and social contribution

Expenses from current tax comprise the estimated tax payable or receivable over the taxable profit or loss for the period, and any adjustment related to the taxes payable from previous fiscal years. The amount of current taxes payable or receivable is recognized by the Company, in the balance sheet under the caption "Income Tax and social contribution payable or recoverable" by the best estimated value expected in relation to taxes payable or receivable, which reflects the uncertainties, if applicable, implied in its determination. Such taxes are measured on the basis of the tax brackets in force on the date of the balance sheet.

Expenses of deferred income tax and social contribution

Deferred tax assets and liabilities are recognized for all temporary tax differences between the carrying values of assets and liabilities, calculated according to the corporate legislation and in accordance with the tax legislation. The changes in deferred tax assets and liabilities during the period are recognized as a credit or an expense related to the deferred income tax and social contribution.

A deferred tax asset is recognized in relation to the tax losses and unused temporary differences, to the extent that future taxable earnings shall likely be available, against which they will be used. Deferred tax assets are

reviewed on every Balance Sheet date, and these may be reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable to the temporary differences when they become reversed, based on the rates that were in force up to the date of the balance sheet.

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

3.6 Inventories

The materials kept in stock in warehouses are classified under current assets (when intended for maintenance), and are valued at average cost of acquisition.

3.7 Lease agreement for third parties

The Company has a lease agreement for third parties, which on the date of its inception was classified as a financial lease, since it transfers substantially all the risks and benefits intrinsic to the legal ownership to the lessee. Lease income is treated as amortization of accounts receivable.

The recognition of financial income is based on the constant periodic rate of return on the Company's net investment in the financial lease.

3.8 Indemnifiable financial assets

Based on the characteristics established in the concession contract of power generation, it was concluded that they are within the scope of the Technical Interpretation ICPC 01 (R1) - *Concession Contracts*. ICPC 01 (R1) indicates the conditions for accounting for public service concessions to private operators, in the case of the Company, specifically related to investments in the infrastructure of the concession made after the renewal of the concession in 2012, which are classified as financial assets since they are an unconditional right to receive cash or other financial asset directly from the grantor, as provided for in clause 7, subclauses 2 and 4 of the second additional term of the concession agreement No. 02/2004 - ANEEL.

3.9 Concession reversible assets

According to Law 12,783, at the time of the concession renewal, the concession assets reverted to the Federal Government through indemnity. The concessions of the plants Rasgão, Henry Borden and Porto Góes were renewed on December 4, 2012.

The amount of compensation is in the process of being determined by the Granting Authority. According to Decree No. 7,850 of 2013, the compensation is determined through inspection to indicate the assets subject to indemnity and determine the NRV (New Replacement Value) of these assets. Since the Granting Authority has not yet concluded this process, as at December 31, 2019, the Company keeps recorded under the concession reversible assets, those assets measured at their residual book value as at December 31, 2012, that is, at the value reclassified from property, plant and equipment.

3.10 Property, plant and equipment

A) Recognition and measurement

The Company and its subsidiary recognize expenditure with investments on property, plant and equipment, if the tangible asset likely has an economic useful life of more than one year, and it is expected to bring future economic benefits to the Company. Items of property, plant and equipment are measured at acquisition or construction cost, less any accumulated impairment losses, when applicable.

When significant parts of an item of property, plant and equipment have different useful lives, they are recorded as separate items (major components) of property, plant and equipment.

Any gains and losses deriving from the sale of an item of property, plant and equipment are recognized in the income statement.

B) Subsequent costs

Subsequent expenses are capitalized only when future economic benefits are likely to be recognized by the Company and its subsidiary.

C) Depreciation

Depreciation is calculated using the straight-line method, based on the useful lives of fixed assets established by ANEEL, which are used in the electric energy sector and accepted by the market as appropriate. The determination of the depreciation of Pirapora's property, plant and equipment took into account Management's best estimate regarding the right to compensation for the remaining assets, including the basic project of generation, not amortized at the end of the authorization. The average annual depreciation rates are presented in Note 13.

3.11 Intangible assets

Recognition and measurement

The Company recognizes expenditures on investments in intangible assets, if they result from contractual or other legal rights that shall bring future economic benefits. Intangible asset Items are measured at the cost of acquisition or development, less any accumulated impairment losses, when applicable.

Amortization

Amortization is calculated using the straight-line method.

3.12 Financial Instruments

The Company and its subsidiary classify their financial instruments in the following category:

i) Amortized cost

Financial instruments classified as "amortized cost" are initially recorded at fair value plus transaction costs, and subsequently measured by using the effective interest method, less any impairment losses.

3.13 Recoverable value of assets

Financial assets

Financial assets, including investments accounted for under the equity method, are assessed at each annual Financial Statement date, aiming at determining whether there is objective evidence of impairment. The allowance for impairment of financial assets is presented in Note 7.

Non-financial assets

The book value of the Company's non-financial assets is reviewed at each reporting date for indications of impairment. If such indication occurs, the asset is then submitted to a test to confirm the recovery of its book value, either by sale or by use. An impairment loss is recognized if the asset's accounting value exceeds its recoverable amount.

The recoverable value of an asset is the higher figure between the value in use and the fair value less costs to sell. The value in use is based on estimated future cash flows, discounted to their present value, by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.14 Provisions for tax, labor and civil risks

The Company is party to legal and administrative proceedings. These proceedings are periodically evaluated by Management and its legal advisors, in order to make a reasonable estimate of the likelihood of loss. Provisions are made for all lawsuits in which an outflow of resources to settle the contingency or obligation is likely to occur.

The assessment of the likelihood of loss includes the evaluation of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are reviewed and adjusted, to take into account changes in circumstances, such as applicable statute of limitations, findings from tax inspections, or additional exposures identified, based on new issues or court decisions.

3.15 Standards and interpretations adopted as of 2019

a.1) CPC 06 (R2) Leasing Operations (IFRS 16)

CPC 06 (R2)/IFRS 16 introduces a single model for accounting of financial and operating leases, establishing the recognition, with limited exceptions, of assets and liabilities by the lessee. The lessee must recognize the right to use the underlying leased asset and the corresponding liability. There were no significant changes in the recording by lessors.

CPC 06 (R2) replaces CPC 06 (R1) Leasing Operations and ICPC 03 Complementary Aspects of Leasing Operations.

This standard is applicable as of January 1, 2019. Early adoption was allowed only if CPC 47 had been applied before CPC 06 (R2).

During 2020, the Company's Management conducted an analysis of all contracts in progress that involve the use of machinery and equipment in the provision of services, and concluded that:

- All outsourced assets (machinery and equipment) used to provide the contracted services are exclusively operated and controlled by the contracted companies.
- They are only used at the location and for the purpose established in the contract.
- It is only up to the contractor to define possible replacements if necessary.

In view of the above, the Company understands that it has no leased assets in contracts with third parties, and therefore evaluated that there are no significant impacts of the application of CPC 06 (R2) on its financial statements.

a.2) Other pronouncements

The following changes in pronouncements and interpretations are not expected to have a significant impact on the financial statements of the Company and its subsidiary:

Amendments to CPC 36 Consolidated Statements and CPC 18 Investments in Affiliates regarding sales or contributions of assets between an investor and its subsidiary, or jointly controlled venture, the effective date will be determined by the IASB;

IFRIC 23 Uncertainties about treatment in tax assessment, effective as of January 1, 2019.

IFRS 17 Insurance Contracts, effective as of January 1, 2021.

4. CASH AND CASH EQUIVALENTS

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12.31.20</u>	<u>12.31.19</u>	<u>12.31.20</u>	<u>12.31.19</u>
Cash and bank accounts.....	859	636	1,948	1,629
Financial investments (a).....	<u>506,843</u>	<u>396,821</u>	<u>516,766</u>	<u>411,293</u>
	<u>507,702</u>	<u>397,457</u>	<u>518,714</u>	<u>412,922</u>

These comprise cash balances, bank deposits on demand and short-term financial investments, with immediate liquidity and subject to an immaterial risk of change in value. Financial investments are stated at cost, plus income earned up to the closing date of the year, with no fixed term for redemption, and held by the Company and its subsidiary for use in their normal operations.

(a) The Company and its subsidiary invest their cash in low credit risk Banco do Brasil Fixed Income Funds, which yielded 2.2405% for the year ended December 31, 2020, and 4.9892% as at December 31, 2019.

5. DISTRIBUTORS

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12.31.20</u>	<u>12.31.19</u>	<u>12.31.20</u>	<u>12.31.19</u>
a) Energy supply				
Energy supply to distributors.....	<u>36,526</u>	<u>33,769</u>	<u>40,805</u>	<u>37,979</u>

As at December 31, 2020 and 2019, the balance of accounts receivable from distributors consists only of amounts falling due and, therefore, the Company believes that there is no need for the recording of an allowance for doubtful accounts on receivables.

6. LEASING TEP PIRATININGA

6.1 Background

On April 27, 2007, EMAE and Petróleo Brasileiro S.A. (Petrobras) entered into a Private Instrument for Leasing the TEP Piratininga Assets ("Lease"), for a period of 17 (seventeen) years, with remuneration of R\$ 45,000 per year, payable in semiannual

installments, adjusted by the IGP-M, as from the second year, with the consequent transfer of the electric energy generation exploration rights.

On May 21, 2008, having complied with the condition precedents then existing, the contract became effective. On the same date, Petrobras assigned all the rights and obligations of the private lease instrument to Baixada Santista S.A. - BSE, its wholly-owned subsidiary.

BSE applied for renewal with ANEEL on July 5, 2012, which was subsequently ratified on July 3, 2013, in accordance with Law 12,783, of January 13, 2013. The contractual term of the concession ended on July 7, 2015, but there was no formal manifestation of the Granting Authority on the request and, until the date of approval of these financial statements, it was still under analysis.

The lease has a resolution clause in case a new authorization act is not released, with the settlement of the pending obligations. However, BSE has undertaken the obligation to return the leased assets, at the end of a seventeen-year term, "in the same conditions of use and conservation in which they were received, considering the depreciation and technological innovations intrinsic to the development of the Contract operation", and the Company is entitled to compensation if BSE fails to do so.

The Company's Management understands that the estimated amount to be indemnified, in case of non-renewal of the concession, exceeds the amounts to be received for the installments of the financial lease with BSE.

6.2 Accounting

The Leasing operation of TEP Piratininga on its inception date was classified as a financial lease for the following reasons:

- transfer to the lessee the risks and benefits inherent to the control and ownership of the TEP;
- at the beginning of the lease, the present value of the minimum payments neared the fair value of the TEP;
- the leased assets are of a specialized nature, so that only the lessee could use them without making significant alterations.

Breakdown of the TEP Piratininga leasing activities:

	Parent Company and Consolidated				
Account	Balance 12.31.19	Transfers	Financial Charges	Receipt	Balance 12.31.20
ASSETS					
Current.....	91,558	106,080	15,514	(100,438)	112,714
Non-current.....	294,160	(106,080)	95,307	-	283,387
	385,718	-	110,821	(100,438)	396,101

Lease value conciliation statement:

	Parent Company and Consolidated	
	12.31.20	12.31.19
Nominal value of the contract.....	765,000	765,000
Unrealized financial income (a).....	(31,915)	(47,429)
Monetary variation.....	598,889	503,582
Receipts.....	(935,873)	(835,435)
	396,101	385,718

(a) Refer to the interest not yet earned on the lease contract, regarding the receipt of future installments.

Present value of the long-term installments to be received by the end of the contract, per year of maturity:

Non-current	
2022.....	103,046
2023.....	94,210
2024.....	86,130
	283,386

7. OTHER CREDITS

	Parent Company		Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
Current				
Services in progress (a).....	3,096	5,149	3,096	5,149
Dividends receivable from subsidiary (b).....	4,122	4,404	-	-
Amounts receivable - Free Energy (c).....	4,144	4,144	4,144	4,144
Employees assigned (d).....	6,224	6,224	6,224	6,224
Allowance for doubtful accounts (e).....	(11,347)	(11,635)	(11,347)	(11,635)
GSF Pirapora Energia (f).....	-	-	-	569
Advances to employees.....	8	215	8	215
Pirapora Energia S.A.....	345	249	-	-
Petrobras - O&M (Note 21.3).....	440	-	440	-
Rentals.....	116	200	116	200
Contractual fines (g).....	406	1,073	406	1,073
Contract SEEM (Note 19.4).....	529	529	529	529
CPFL.....	-	69	-	69
	8,083	10,621	3,616	6,537
Non-current				
GSF Pirapora Energia (f).....	-	-	-	-
	8,083	10,621	3,616	6,537

- a) These refer to expenses incurred by EMAE, arising from the application in research and development projects, in compliance with Law 9,991, of July 24, 2000;
- b) These refer to mandatory dividends receivable from its subsidiary;
- c) As a result of the writ of mandamus No. 43739-91.2010.4.01.3400, filed by the Brazilian Association of Electric Energy Distributors (ABRADEE), on September 15, 2010, which through an injunction suspended the collection of the ETR (Extraordinary Tariff Recomposition) amount. EMAE set out an allowance for doubtful accounts on the total balance of the ETR receivables recorded and not yet received;
- d) These refer to amounts receivable for employees assigned to other entities of the São Paulo State Government. The amounts overdue for more than 360 days are provisioned under the caption "Allowance for doubtful accounts". On November 25 and December 20, 2019, the Company received the amounts of R\$ 8,090 and R\$ 76, respectively, from the Secretary of Infrastructure and Environment (SIMA), and the Secretary of Culture and Creative Economy, referring to the period from January 2012 to October 2016. As such amounts are included in the Allowance for doubtful accounts, we recorded the reversal of R\$ 8,166 in fiscal year 2019;
- e) The balance of the allowance for doubtful accounts as at December 31, 2020, of R\$ 11,347 is composed of: R\$ 6,224, assigned employees; R\$ 4,144, free energy; R\$ 1,355, contractual fines, and R\$ 95 of other receivables;
- f) GSF: On January 6, 2016, the Board of Directors of Pirapora Energia authorized the Company to join the repatriation of the hydrological risk, pursuant to Law No. 13,203/2015 and under the conditions laid out by ANEEL Normative Resolution No. 684/2015;

In order to supply the regulated contracts, the Company acquired electricity on the short-term market in the amount of R\$ 4,163, and with the renegotiation, these costs were converted into regulatory assets and the amount was updated to R\$ 4,703.

The above-mentioned credit was amortized until June 2020, and as of the subsequent month, the Company introduced the monthly collection, based on the payment of the premium for the hydrological risk coverage, corresponding to the SP100 product (total coverage).

The contract is valid until July 3, 2038.

- g) These refer to amounts charged to third parties, due to delays in the execution of works, delivery of goods, and others.

8. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

8.1 CONCILIATION OF INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULT

	Parent Company Income Tax		Consolidated Income Tax		Parent Company Social Contribution		Consolidated Social Contribution	
	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19
Earnings before taxes and contributions.....	269,735	122,110	271,046	123,798	269,735	122,110	271,046	123,798
Current rate.....	25%	25%	25%	25%	9%	9%	9%	9%
Expected expense according to the current rate.....	(67,434)	(30,528)	(67,762)	(30,950)	(24,276)	(10,990)	(24,394)	(11,142)
a) Impact from IRPJ and CSLL on permanent differences								
Equity from subsidiaries.....	4,338	4,635	-	-	1,562	1,669	-	-
Interest on equity.....	9,404	3,531	9,404	3,531	3,385	1,271	3,385	1,271
Fiscal incentives.....	2,596	1,233	2,596	1,233	-	-	-	-
Others.....	(600)	(217)	(600)	(217)	(225)	(78)	(225)	(78)
b) Effect from presumed profit regime of subsidiary								
Pirapora Energia S.A.....	-	-	3,808	3,921	-	-	1,227	1,269
Income Tax and Social Contribution accounted for.....	(51,696)	(21,346)	(52,554)	(22,482)	(19,554)	(8,128)	(20,007)	(8,680)
Current.....	(34,494)	(42,466)	(35,352)	(43,602)	(18,180)	(15,731)	(18,633)	(16,283)
Deferred.....	(17,202)	21,120	(17,202)	21,120	(1,374)	7,603	(1,374)	7,603
Effective rate.....	19%	17%	19%	18%	7%	7%	7%	7%

8.2 Breakdown of deferred taxes

	ASSETS		LIABILITIES	
	Parent Company and Consolidated		Parent Company and Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
Income Tax				
Temporarily undeductible provisions (a).....	71,266	70,368	-	-
Tax losses 2003, 2005, 2006, 2007, 2009 and 2013 (b).....	1,393	17,299	-	-
Deferred tax liability Lease (c).....	-	-	83,644	79,756
Deferred tax liability Sabesp (d).....	-	-	23,815	25,508
Liabilities (assets) deferred taxes ORA (e).....	70,501	-	-	3,345
Social Contribution				
Temporarily undeductible provisions (a).....	25,656	25,332	-	-
Tax losses 2003, 2005, 2006, 2007, 2009 and 2013 (b).....	-	907	-	-
Deferred tax liability Lease (c).....	-	-	30,112	28,712
Deferred tax liability Sabesp (d).....	-	-	8,573	9,183
Liabilities (assets) deferred taxes ORA (e).....	25,380	-	-	1,205
	194,196	113,906	146,144	147,709
Offsetting between Assets and Liabilities (f).....	(146,144)	(113,906)	(146,144)	(113,906)
	48,052	-	-	33,803

- These refer to credits offset against future taxable income, calculated on temporarily non-deductible provisions, where the provision for the realization of investments, with funds received as Investments in the concession, the labor, civil, and tax contingencies, and the provision for doubtful accounts;
- These refer to the balances of tax losses and negative basis of social contribution, with respect to previous years;
- These refer to the recording of deferred income tax and social contribution, calculated over the gain on the leasing operation of TEP Piratininga (Note 6);
- These refer to the recording of deferred income tax and social contribution, calculated over the Financial Assets related to the agreement with Sabesp (Note 20.1);
- These refer to the deferred tax liability on the defined benefit plan (Note 15), recorded in Other Comprehensive Income (Actuarial Valuation Adjustment);
- This refers to the offset between deferred assets and liabilities. It should be noted that until 2017, the Company recorded total deferred income tax and social contribution assets limited to 30% of deferred tax liabilities. As of 2018, the Company's Management prepared a forecast of future taxable income, evidencing the ability to realize these tax credits in the years indicated, which was approved by the Board of Directors.

Deferred tax assets are reviewed at each year-end, and may be reduced to the extent that their realization is no longer probable.

Based on the technical study of the taxable income forecasts, the Company estimates to recover the tax credit in the ensuing years:

Tax Losses:

2021.....	1.393	2021.....	1.393
2022.....	-	2022.....	-
	<u>1.393</u>		<u>1.393</u>

Temporary differences: (point "a", note 8.2)

2021.....	9,371
2022.....	4,169
2023.....	4,169
2024.....	4,169
2025.....	4,169
2026 until 2042.....	<u>70,875</u>
	<u>96,922</u>

9. GUARANTEES AND TIED DEPOSITS

	Parent Company		Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
Current				
Tied deposits (a).....	11,749	11,671	11,749	11,671
Guarantees and tied deposits (c).....	-	-	2,717	-
	<u>11,749</u>	<u>11,671</u>	<u>14,466</u>	<u>11,671</u>
Non-current				
Judicial deposits (b).....	25,329	14,124	25,329	14,124
Guarantees and tied deposits (c).....	-	-	-	2,943
	<u>25,329</u>	<u>14,124</u>	<u>25,329</u>	<u>17,067</u>
	<u>37,078</u>	<u>25,795</u>	<u>39,795</u>	<u>28,738</u>

- a) Of the amount of tied deposits, i) R\$ 11,167 (R\$ 11,095 at December 31, 2019) refers to a deposit originating from the sale of fuel oil in fiscal 2012, and maintained in asset and liability accounts for the same amount; ii) deposit of R\$ 582 (R\$ 576 at December 31, 2019) before ANEEL, corresponding to the contractual guarantee for the Edgard de Souza Plant.
- b) This refers to several initial or appeal deposits involving civil and labor lawsuits of the Company and its subsidiary. EMAE questions the legitimacy of certain labor claims and because of this questioning, by court order or management's own strategy, the amounts in question have been deposited in court, without the labor provisions recorded in liabilities related to these judicial deposits having been settled.

- c) The consolidated balance includes guarantees from BNDES financing in the amount of R\$2,717 as at December 31, 2020, and R\$2,943 as at December 31, 2019, from the subsidiary Pirapora (current and non-current assets, respectively).

10. INDEMNIFIABLE FINANCIAL ASSET

This refers to investments in generation infrastructure made after December 31, 2012, the cut-off date for purposes of renewing contracts covered by Law No. 12,783, which will be recovered through the AGR in the tariff review and readjustment processes. Normative Resolution No. 897/2020 approved the sub-module of the Procedures for Tariff Regulation (PRORET 12.1), which set out the procedures for recovery of investments made through the RAG.

The Company classified the financial asset subject to indemnification as a financial instrument measured at amortized cost. Due to the characteristic of this asset, in each tariff adjustment or review process, new tariffs are approved by ANEEL, causing changes in the cash flow of the financial asset. These changes may generate potential gains or losses in the amortized cost value of the asset, which shall be adjusted in the income statement.

Movement of the indemnifiable financial asset:

	Parent Company and Consolidated					
	Balance at 12.31.19	Additions (a)	Transfer	Receipts (b)	Amortization (c)	Balance at 12.31.20
Current						
Financial asset.....	7,204	-	1,708	-	(4,011)	4,901
Advances to suppliers.....	7,786	9,528	-	(7,367)	-	9,947
	14,990	9,528	1,708	(7,367)	(4,011)	14,848
Non-current						
Financial asset.....	77,660	26,967	(1,708)	-	-	102,919
	92,650	36,495	-	(7,367)	(4,011)	117,767

- a) The additions for the year refer to investments made in the plants that enhance the useful life of the units, and also in improvements that generate more efficiency in energy production.
- b) These refer to additions to property, plant and equipment, arising from financial resources already advanced to suppliers.
- c) Amortization of investments already made (Note 18).

11. REVERSIBLE ASSETS OF THE CONCESSION

This refers to reversible assets identified by the Company's Management. Pursuant to article 2 of Decree No. 7,850, of November 30, 2012, and Normative Resolution No. 596, of December 19, 2013, after the inspection and the determination of the values

based on the New Replacement Value (NRV) methodology by ANEEL, these reversible assets will be indemnified by the Granting Authority.

The reversible assets recorded in this account do not include the assets related to the basic projects, which were indemnified in December 2012.

In compliance with the requirements of the aforementioned Decree, the Company's Management issued an Official Letter to ANEEL, on December 26, 2013, expressing its interest in receiving the due compensation related to the investments linked to reversible assets, made in the Company's Plants up to December 31, 2012, with a view to its reimbursement under the terms of the aforementioned article.

On February 20, 2017, the Company hired a specialized consulting firm, aimed at preparing calculations for the New Replacement Value (NRV) of the investments made until December 31, 2012, and the balance of investments not amortized until December 31, 2012, in accordance with ANEEL Normative Resolution 596/13, submitting them to the Brazilian Electricity Regulatory Agency (ANEEL), in accordance with Federal Law 12,783 of 2013, of January 11, 2013.

The reports generated in that year showed that there is no reason for the constitution of an estimate for reduction to the recoverable value of the amounts claimed before the regulatory agency. However, ANEEL may present a compensation amount different from that claimed, which will be analyzed by the Company and, if applicable, will make the necessary adjustments to the losses or gains.

On August 1, 2018, the Ministry of Mines and Energy (MME) published Ordinance No. 313, dated July 30, 2018, ruling out the reversion of the assets linked to the concession for the Hydraulic Potential Use named HPU Edgard de Souza, which was discontinued on October 31, 2012, with the assets freely available to EMAE.

Considering this decision, the Company started negotiations with the Granting Authority, aiming to obtain the authorization to operate the referred structure, with the full exploitation of the currently existing facilities.

The net book value of reversible assets as at December 31, 2020 and 2019, is R\$ 195,374.

12. INVESTMENTS

	Parent Company		Consolidated	
	12.31.20	12.31.19	12.31.20	12.31.19
Pirapora Energia S.A.....	95,606	95,583	-	-
Others.....	1,390	1,390	1,390	1,390
Total.....	96,996	96,973	1,390	1,390

The Company holds a 100% interest in the equity of its subsidiary Pirapora Energia S.A.. A summary of the subsidiary's financial information is shown below:

Free translation not audited from the original in Portuguese

	12.31.20	12.31.19
Assets.....	167,164	173,869
Liabilities.....	71,558	78,286
Shareholders' equity.....	95,606	95,583
	12.31.20	12.31.19
Income for the period.....	17,354	18,540

	Subsidiary
Balance at 12.31.2018.....	92,967
Additional dividend relative to 2018, paid in 2019.....	(11,520)
Equity from subsidiary.....	18,540
Mandatory Minimum Dividend.....	(4,404)
Balance at 12.31.2019.....	95,583
Additional dividend relative to 2019, paid in 2020.....	(13,209)
Equity from subsidiary.....	17,354
Mandatory Minimum Dividend.....	(4,122)
Balance at 12.31.2020.....	95,606

13. PROPERTY, PLANT AND EQUIPMENT

According to articles 63 and 64 of Decree No. 41,019 of February 26, 1957, the assets and installations used in the generation, transmission, distribution, and commercialization of electric power are linked to these services, and cannot be removed, sold, assigned, or given in mortgage collateral without the prior and express authorization of the Regulatory Body.

The normative act that regulates the unbinding of assets from Electric Power Utility concessions grants prior authorization to unbind unsuitable assets from the concession, when intended for sale, determining that the sale proceeds be deposited in a tied bank account, whose resources must be used exclusively for the investment in the concession.

The changes in balances of property, plant and equipment as at December 31, 2020 are represented by:

Parent Company	Average annual Depreciation rates (%)	Balance as at 12.31.19	Additions	Write-offs	Transfer	Yearly Depreciation	Balance as at 12.31.20
In operation							
Land.....		5,068	-	-	-	-	5,068
Buildings, Constructions and Improvements.....	2.0%	895	-	-	-	(63)	832
Machinery and Equipment.....	3.2%	2,911	50	-	89	(522)	2,528
Vehicles.....	14.3%	834	-	-	-	(154)	680
Furniture and Fixtures.....	6.3%	291	-	-	-	(24)	267
Subtotal.....		9,999	50	-	89	(763)	9,375
In progress.....		62,148	7,271	-	(111)	-	69,308
Total Parent Company.....		72,147	7,321	-	(22) (*)	(763)	78,683

(*) This refers to the transfer of R\$ 22 to the Financial Assets, subject to Compensation

Consolidated	Average annual Depreciation rates (%)	Balance as at 12.31.19	Additions	Write-offs	Transfer	Yearly Depreciation	Balance as at 12.31.20
In operation							
Land.....		5,068	-	-	-	-	5,068
Reservoirs, Dams and Pipelines.....	2.1%	45,891	129	-	-	(1,024)	44,996
Buildings, Constructions and Improvements.....	2.0%	45,899	1,985	-	-	(1,071)	46,813
Machinery and Equipment.....	3.2%	60,996	1,819	-	89	(2,574)	60,330
Vehicles.....	14.3%	834	-	-	-	(154)	680
Furniture and Fixtures.....	6.3%	293	-	-	-	(25)	268
Subtotal.....		158,981	3,933	-	89	(4,848)	158,155
In progress.....		62,148	7,271	-	(111)	-	69,308
Advances to suppliers.....		1,108	(1,108)	-	-	-	-
Total Consolidated.....		222,237	10,096	-	(22) (*)	(4,848)	227,463

(*) This refers to the transfer of R\$ 22 to the Financial Assets, subject to Compensation

i) Asset impairment analysis:

As disclosed in Note 10, Reversible Assets of the Concession, on August 1, 2018, the Ministry of Mines and Energy (MME) made the assets of HPU Edgard de Souza available to EMAE (in the amount of R\$59,667, henceforth being recorded in property, plant and equipment in progress), therefore waiving the reversal of the assets.

Therefore, Management performed a recoverability test for these assets, by using discounted cash flows based on the following assumptions: (i) obtaining the authorization for remotorization of the plant; (ii) authorization term of 30 years; (iii) quantity and sale price of part of the energy generated contracted in the regulated environment; and (iv) the surplus energy traded on the short-term market. The cash flow was estimated for a concession period and discounted at the pre-tax discount rate ranging from 7.2% p.a. to 8.5% p.a. during the period of forecast. Based on the test performed, Management concluded that there is no need to record an estimated impairment for the years ended December 31, 2020 and 2019.

14. FINANCING (CONSOLIDATED)

14.1 BNDES Contract and Balance

On March 8, 2012, the subsidiary Pirapora Energia S.A., a wholly-owned subsidiary of EMAE, entered into a financing agreement with BNDES (Brazilian Bank for Economic and Social Development) in the amount of R\$ 98,000 to be paid in 192 monthly installments. This amount represented 60% of the investment estimated for the construction of the SHP (Small Hydroelectric Plant). At December 31, 2020, the total updated amount of the financing was R\$ 66,361 (R\$ 73,184 in 2019), and it is entirely classified as current liabilities (see Note 21) and R\$ 5,208 and R\$ 67,976 classified as current and non-current liabilities, respectively, at December 31, 2019.

Maturity will be on September 15, 2030, updated by TJLP + 1.9% p.a. (Note 30.1).

Consolidated				
	12.31.19			12.31.20
	Balance	Interest	Payment of principal	Payment of interest
Current and Non-Current				
BNDES Financing.....	73,184	4,652	(6,787)	(4,688)
	66,361			

Consolidated				
	12.31.18			12.31.19
	Balance	Interest	Payment of principal	Payment of interest
Current and Non-Current				
BNDES Financing.....	79,743	6,059	(6,784)	(5,834)
	73,184			

14.2 Guarantees and Covenants

In order to assure the payment of the obligations resulting from the financing contract executed with the BNDES, such as principal and interest on the debt, commissions, fines and other expenses, the Company assigned the following guarantees:

- Credit rights arising from the Incentivated Power Purchase Agreements (CCEI).

The fiduciary assignment mentioned above includes the credits that shall be deposited in the "Centralizing Account", in the "Debt Service Reserve Account" and in the "Overdraft Account", until full payment of all contractual obligations. These amounts are recorded as "Guarantees and Tied Deposits" in non-current assets (Note 9).

- Credit rights on the Energy Purchase Agreements in a Regulated Environment (CCEARs) executed in the form of the New Energy Auction No. 10/2010.
- Pledge of the total number of shares of its subsidiary, in favor of BNDES, and any other shares representing the capital stock that may be subscribed, acquired, or issued by it, until full payment of all obligations set forth in this Financing Agreement.

The contract contains qualitative and quantitative covenants.

1) Debt Service Coverage Index (DSCI)

The Company shall maintain during the entire term of the contract, an DSCI of at least 1.20 to be calculated according to the contractual provision.

a) Cash generation - EBITDA for the reference year 2020

	R\$ '000
(+) Gross profit	22,825
(+) Depreciation and amortization	4,163
(=) EBITDA	26,988

b) Debt service

	R\$ '000
(+) Principal	6,787
(+) Interest	4,688
(=) Total paid	11,475

c) Calculation of DSCI (a/b)

Minimum required

$$\frac{\text{EBITDA}}{\text{Debt service}} = \frac{\text{R\$ } 26,988}{\text{R\$ } 11,475} = \text{R\$ } 2.35$$

2) Equity Capital Index (ECI)

The Company shall maintain during the entire term of the contract, ECI equal or greater than 30%, defined as the ratio between shareholders' equity and total assets.

Minimum required: Equal to or greater than 30%

$$\frac{\text{Shareholders Equity}}{\text{Total assets}} = \frac{\text{R\$ } 95,606}{\text{R\$ } 167,164} = 57.2\%$$

As at December 31, 2020 and 2019, the Company has fully met the qualitative and quantitative covenants.

The indices presented in notes 14.1 and 14.2 refer only to the financial information of the subsidiary Pirapora Energia S.A..

15. PENSION ENTITY FOR EMPLOYEES

EMAE sponsors retirement and pension benefit plans for its employees, former employees and respective beneficiaries, in order to supplement the benefits provided by the government social security system. VIVEST (current name of Fundação CESP) is the entity responsible for the administration of the benefit plans sponsored by the Company.

Creditor	Object	Parent Company and Consolidated			
		12.31.20		12.31.19	
		Current	Non-Current	Total	Total
VIVEST	- Pension Funds	31,744	209,333	241,077	53,057
	- Adjustment CPC 33 (R1) (IAS 19).....	-	98,672	98,672	(4,071)
		<u>31,744</u>	<u>308,005</u>	<u>339,749</u>	<u>48,986</u>

The evolution of the actuarial deficit of EMAE's retirement plans, from 2019 to 2020, was mainly due to (i) the decrease in the discount rate of future benefits to be disbursed by the plans; and (ii) the growth in the value of these same benefits, linked to the IGP-DI, which had a strong detachment in relation to other inflation indicators, and in relation to the income earned by the plan's investments.

15.1 Benefit plans

Through negotiations with the unions representing the category that took place in 1997, it was approved the balancing of the plan then in force, which became known as Balanced Proportional Supplementary Benefit (BPSB), and a new mixed plan model was created, composed of a defined benefit (DB) of 70% of the contribution salary, and a defined contribution (DC) of 30%. In 2018, these plans were also closed to new entrants.

The BPSB plan formulation is guaranteed by the sponsor, whereas for the DB and DC plans, potential deficits are shared between the sponsor and the participants.

The costing of the defined benefit plan is shared equally between the Company and the employees. The costing of the portion established as defined contribution is jointly borne by the Company and the employees, based on a percentage freely chosen by the participant up to a limit of 5%. The costing rates are periodically reassessed by an independent actuary.

The plan's investment policy, defined by means of a joint management study of assets and liabilities ("Asset Liability Management"), resulted in an average allocation of 76% in fixed income, 14% in equity, and 10% in other segments, resulting in a consolidated profitability of 11.25% in 2020, compared to the actuarial target of 30.89% over the same period, driven by the change in the IGP-DI, which is the adjustment index of benefits.

In 2020, due to the difficulty in obtaining new investments linked to the IGP index, and in order to avoid any mismatching between assets and liabilities of the pension plan, in March 2020, through VIVEST and the managing committee of the plan, EMAE submitted to National Superintendence of Complementary Social Security (PREVIC) a request to change the index for adjustment of benefits of the plan from IGP-DI to IPCA. To date, PREVIC has not presented a conclusive position regarding the request.

15.2 Summary of the Actuarial Study in accordance with CPC 33(R1) Benefits to Employees

Based on the actuarial assessment of December 31, 2020, prepared by independent actuaries, in accordance with the criteria established by "CPC 33(R1) Benefits to Employees", EMAE's actuarial liability was calculated as follows:

A) Actuarial assumptions

The main actuarial assumptions used for determining the actuarial obligation are as follows:

	12.31.20	12.31.19
Nominal rate used for discounting the actuarial liability to present value.....	7,38%	9,54%
Expected rate of return on the plan assets.....	7,38%	9,54%
Future salary growth rate.....	0,00%	5,86%
Adjustment rate for continuous cash benefit granted	0,00%	4,00%
Capacity factor for the benefit/salary to preserve its purchasing power.....	0,00%	4,00%
Turnover rate.....	not adopted	not adopted
General mortality table.....	AT - 2000 M/F	AT - 2000 M
Mortality table for the disabled.....	AT-49 Masc	AT-49 Masc
Table of entry into disability.....	LIGHT-WEAK	LIGHT-WEAK
BSPS	12.31.20	12.31.19
No. of active participants	345	352
Number of inactive participants - retired other than by disability	706	709
Number of inactive participants - retirees by disability.....	31	30
Number of inactive participants - pensioners.....	80	75
BD	12.31.20	12.31.19
No. of active participants	373	401
Number of inactive participants - retired other than by disability	686	690
Number of inactive participants - retirees by disability.....	30	30
Number of inactive participants - pensioners.....	74	69
CV	12.31.20	12.31.19
No. of active participants	369	373
Number of inactive participants - retired other than by disability	440	439
Number of inactive participants - retirees by disability.....	15	14
Number of inactive participants - pensioners.....	37	36

B) Actuarial assessment

The forecast unit credit method has been used in the actuarial assessment of the plans. The net assets of the benefit plan are assessed at market values (mark-to-market).

B1) Conciliation of assets and liabilities

	B.S.P.S.		D.B.		C.V.		TOTAL	TOTAL
	2020	2019	2020	2019	2020	2019	2020	2019
Total actuarial liability.....	1.039.489	785.148	483.628	315.107	94.842	48.059	1.617.959	1.148.314
Fair value of assets (mark-to-market).....	(777.120)	(737.760)	(453.238)	(423.244)	(47.852)	(46.461)	(1.278.210)	(1.207.465)
Asset limitation effect.....	-	-	-	108.137	-	-	-	108.137
Net liabilities (assets).....	<u>262.369</u>	<u>47.388</u>	<u>30.390</u>	<u>-</u>	<u>46.990</u>	<u>1.598</u>	<u>339.749</u>	<u>48.986</u>

B2) Movement of plan liabilities

	B.S.P.S.		B.D.		C.V.		TOTAL	TOTAL
	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19
Present value of the total net actuarial liabilities.....	785.148	797.527	315.107	297.310	48.059	51.680	1.148.314	1.146.517
Cost of current service.....	-	-	241	185	-	-	241	185
Interest on actuarial liabilities.....	74.904	76.726	30.061	28.602	4.585	4.972	109.550	110.300
Actuarial (Gain)/Loss.....	241.357	(31.977)	150.697	649	48.053	(3.436)	440.107	(34.764)
Benefits paid.....	(61.920)	(57.128)	(12.478)	(11.639)	(5.854)	(5.157)	(80.252)	(73.924)
Present value of the total net actuarial liabilities.....	<u>1.039.489</u>	<u>785.148</u>	<u>483.628</u>	<u>315.107</u>	<u>94.843</u>	<u>48.059</u>	<u>1.617.960</u>	<u>1.148.314</u>

B3) Movement of plan assets

	B.S.P.S.		B.D.		C.V.		TOTAL	TOTAL
	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19
Fair value of the plan assets.....	(737.760)	(676.004)	(423.244)	(367.256)	(46.461)	(41.548)	(1.207.465)	(1.084.808)
Company contributions to the plan.....	(5.266)	(5.854)	(377)	(525)	(942)	(174)	(6.585)	(6.553)
Expected return on plan assets.....	(70.382)	(65.035)	(40.377)	(35.332)	(4.432)	(3.997)	(115.191)	(104.364)
Return on plan assets (above)/below discount rate.....	(23.246)	(45.816)	(1.531)	(31.132)	(1.490)	(5.642)	(26.267)	(82.590)
Participant contributions to the plan.....	(2.386)	(2.179)	(187)	(638)	(381)	(257)	(2.954)	(3.074)
Benefits paid by the plan.....	61.920	57.128	12.478	11.639	5.854	5.157	80.252	73.924
Fair value of plan assets.....	<u>(777.120)</u>	<u>(737.760)</u>	<u>(453.238)</u>	<u>(423.244)</u>	<u>(47.852)</u>	<u>(46.461)</u>	<u>(1.278.210)</u>	<u>(1.207.465)</u>

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B4) Conciliation of the net value of the actuarial liability:

	B.S.P.S.		B.D.		C.V.		TOTAL	TOTAL
	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19
Total net actuarial liabilities (assets) at the beginning of the year.....	47.388	121.523	-	-	1.598	10.132	48.986	131.655
Expense / (income) recognized in the Income Statement.....	4.521	11.691	241	184	152	975	4.914	12.850
Company contribution to the plan.....	(5.266)	(5.854)	(377)	(525)	(942)	(174)	(6.585)	(6.553)
Participant contributions to the plan.....	(2.386)	(2.179)	(187)	(638)	(381)	(257)	(2.954)	(3.074)
Actuarial (Gain) Loss in ORA.....	218.112	(77.793)	30.713	979	46.563	(9.078)	295.388	(85.892)
Closing Balance.....	262.369	47.388	30.390	-	46.990	1.598	339.749	48.986

B5) Sensitivity Analyses

	B.S.P.S.		B.D.		C.V.		TOTAL	TOTAL
	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19	12.31.20	12.31.19
Discount rate to be reduced by 0.50%.....	1.093.906	824.170	508.946	335.841	99.807	50.606	1.702.659	1.210.617
Discount rate to be increased by 0.50%.....	991.465	746.989	454.318	299.793	90.017	45.642	1.535.800	1.092.424
Inflation to be reduced by 0.50%.....	1.036.834	787.153	482.392	314.302	94.402	47.836	1.613.628	1.149.291
Inflation to be increased by 0.50%.....	1.041.796	783.143	493.089	321.271	95.085	48.182	1.629.970	1.152.596
Salary growth to be reduced by 0.50%.....	1.039.488	785.148	481.514	314.827	94.842	48.059	1.615.844	1.148.034
Salary growth to be increased by 0.50%.....	1.039.488	785.148	485.744	318.005	94.842	48.059	1.620.074	1.151.212
Benefits adjustment to be reduced by 0.50%.....	1.036.834	787.153	482.392	314.302	94.402	47.836	1.613.628	1.149.291
Benefits adjustment to be increased by 0.50%.....	1.041.796	783.143	493.089	321.271	95.085	48.182	1.629.970	1.152.596

Free translation not audited from the original in Portuguese

C) The movements in the actuarial measurements recognized in other comprehensive income are as follows:

	12.31.20	12.31.19
(a) Balance at the beginning of the year.....	8,832	(47,857)
(b) Actuarial (loss) generated by the discount rate.....	(260,007)	53,239
(c) Actuarial (loss) gain generated by demographic experience.....	(132,986)	(18,475)
(d) Actuarial (loss) generated by demographic assumption.....	(47,114)	-
(e) Actuarial gain generated by the effective yield on the plan's assets.....	26,267	82,590
(f) Change in the "asset ceiling" other than interest.....	118,453	(31,462)
(g) Effect on the Statements of Comprehensive Income (b+c+d+e+f).....	(295,387)	85,892
(h) Effect from income tax and social contribution.....	100,432	(29,203)
Balance at the end of the year (a+g+h).....	(186,123)	8,832

D) The estimate of expenditure for the year 2021 is shown below:

	2021
Cost of current services.....	6,670
Interest on actuarial obligation.....	119,405
Expected return on plan assets.....	(94,331)
Income (Expense) with interest on the "asset ceiling" adjustment.....	-
Total estimated expenditure for the year.....	31,744

15.3 Financial Formulation of the Benefit Plans with VIVEST

In order to balance the cash flow between EMAE and VIVEST, a contract was entered into in 1997, with the intervention of the Brazilian Supplementary Pension Plan Secretariat (SPC), for the adjustment of reserves to be amortized (Mathematical Reserves Adjustment Agreement), which includes a variable clause, aimed at covering the technical actuarial deficit related to the "Balanced Proportional Supplementary Benefit" (BPSB). This contract provided for the amortization of the deficit existing in 1997, in 240 monthly installments, updated by the IGP-DI variation, plus a 6% p.a. interest rate. On June 22, 2017, a contractual amendment was executed, extending the contract's expiration date to March 2032.

Every year, the surplus or deficit resulting from the actuarial valuation is integrated to the contract balance, and the amortization installments are recalculated based on the new balance.

This contract represents, in essence, a guarantee for the financial settlement of the benefit plan. Due to this fact, EMAE's liability is recorded in accordance with CPC 33 (R1)/IAS 19.

The difference between the balances shown in this mathematical reserves adjustment agreement, and that of the liability recorded in accordance with CPC 33 (R1)/IAS19, is due to the difference between the accounting methodology used in EMAE's balance sheet and the methodology approved by PREVIC and used by VIVEST, in order to evaluate the actuarial situation of the benefit plans. The difference between these two methodologies, as at December 31, 2020, is shown below:

Debt balance.....	241,077
Actuarial adjustment.....	98,672
Balance CPC 33 (R1)/IAS 19.....	<u>339,749</u>

16. PROVISION FOR LABOR, CIVIL AND TAX RISKS

16.1 Contingencies - Probable Loss

	Parent Company and Consolidated				
	12.31.19	12.31.20			
	Balance	Provision	Reversal	Payment	Balance
Non-current					
Labor.....					
Hazard.....	12,195	932	-	-	13,127
Various.....	16,762	20,208	(7,956)	(9,510)	19,504
	<u>28,957</u>	<u>21,140</u>	<u>(7,956)</u>	<u>(9,510)</u>	<u>32,631</u>
Civil.....	28,680	4,767	(1,467)	-	31,980
Tax.....	527	84	-	-	611
Environmental.....	1	59	-	-	60
Administrative.....	-	9	-	-	9
	<u>58,165</u>	<u>26,059</u>	<u>(9,423)</u>	<u>(9,510)</u>	<u>65,291</u>

A) Safety hazards

This is a collective action filed by the Electricians Union on July 7, 1999, before the São Paulo Labor Court, lawsuit No. 01767006319995020039 - 39th Circuit, claiming that the Company should be ordered to pay the additional health hazard premiums to all the employees then pertaining to its staff. The lawsuit was granted only for 104 employees, and the process is pending the judgment of an interlocutory appeal by the Superior Labor Court. The lawsuit was classified as probable loss by the Company's legal advisors.

B) Various

These refer to several lawsuits filed by employees and ex-employees, which generally require the payment of salary equivalence, health hazard premiums and other issues. From this group of lawsuits for the year ended December 31, 2020, there were reviews of rulings by the Superior Courts, with changes in the likelihood of success, which resulted in the increase in the provision balance.

C) Civil

These refer to several civil lawsuits of a generic nature under discussion in the judicial sphere, the most relevant of which are described below:

This is a lawsuit stemming from ANEEL's Order 288/2002, in which the Company appears as a joinder of defendants in the lawsuit filed by AES

Sul Distribuidora Gaúcha de Energia S.A.. AES Sul claims the right to not opt for the so-called "exposure relief" relative to the rationing period that occurred in 2001, which allows the settlement in the Brazilian Electric Energy Compensation Chamber (CCEE) in its favor. On April 9, 2014, a decision was published granting the appeal of AES Sul, which was contested by EMAE and other interested parties as concerns a clarification motion. These appeals are currently awaiting judgment.

The Company believes that the lawsuit continues with an estimated probability of potential loss as at December 31, 2020, with the amount accrued for this matter being R\$ 31,064 (R\$ 27,918 as at December 31, 2019).

D) Taxes

Refers to an IPTU (Urban Land and Property Tax) lawsuit, filed by the Municipality of Cubatão, which due to a dismissal of the claim requested by the Company.

16.2 Contingencies - Probability of Potential Loss

The contingencies as at December 31, 2020, in their different types, assessed and classified according to their likelihood of economic-financial risk as potential losses, are shown below:

Nature	Parent Company and Consolidated	
	Probable	
	12.31.20	12.31.19
Administrative.....	374	13,201
Environmental.....	111,055	99,253
Civil.....	19,834	20,636
Labor.....	14,501	13,061
Tax.....	41,415	26,587
	<u>187,179</u>	<u>172,738</u>

a) Administrative

The most relevant lawsuit refers to the charge filed by the São Paulo City Hall for failure to clean the property, which is under irregular occupation. In 2010, the Company filed a Lawsuit for the Repossession of the property, but the request was overruled and the fine was maintained. As at December 31, 2020, the value of the proceeding was R\$ 306.

b) Environmental

The main lawsuit refers to the judicial obligation to remove the sludge from the flotation, due to the amicable settlement between EMAE and the Public Ministry, until then litigants, on June 27, 2007, aiming to enable the preparation of EIA/RIMA, so that, once approved, the implementation of the water treatment system by flotation from the Pinheiros Channel for the depollution of 50m³/s, and subsequent pumping into the Billings reservoir would be possible. However, on April 12, 2012, the Public Prosecutor's Office requested the fulfillment of the ruling against the Company, consisting of: (i) payment of a daily fine totaling R\$ 32,833; and (ii) demobilization of the implemented facilities and reinstatement of the areas to their previous state. Having been summoned, after the deadline was determined by the judge, the Company proved the demobilization of the facilities, and requested, on December 10, 2012, an extension of the 24-month deadline for the removal of the sludge arising from the flotation, which was granted and fulfilled by EMAE

The Company believes that the lawsuit continues with an estimated probability of potential loss as at December 31, 2020, with the total litigation amounting to R\$ 105,481 (R\$ 94,341 as at December 31, 2019).

c) Civil

The most relevant lawsuit refers to the one originated by VIVEST, which seeks to condemn the Company to pay the technical deficit of the staff. The plaintiff is in an advantageous position, since the court granted the original claim, but the trial is in the phase of appeals.

The Company believes that the lawsuit continues with an estimated probability of potential loss, as at December 31, 2020, being the total amount of the proceeding R\$ 18,890 (R\$ 17,322 as at December 2019).

d) Labor

Among the lawsuits evaluated as possible risk, the most relevant amount refers to disputes filed by the Unions that represent employees or by individual disputes, in which ex-employees claim overtime, productivity, readmissions, bonuses, retroactivity of salary increases and adjustments.

e) Tax

Among the lawsuits assessed as possible risk, the most significant amount refers to the claim filed by the São Paulo City Hall regarding the increase in IPTU (Urban Land and Property Tax), due to changes in the assumptions and methodologies used as the basis for the calculation of the tax involved. As at December 31, 2020, the amount in dispute was R\$ 9,362.

17. SPECIAL OBLIGATIONS - GLOBAL REVERSION RESERVE (GRR)

The Company, since its incorporation in 1998, resulting from the spin-off of Eletropaulo, has held an initial balance recorded in the Special Obligations (GRR) account, in the amount of R\$ 16,202, which remained unchanged until December 31, 2017. During this period, the Company paid only the corresponding interest, as established in the legislation in force. However, with the advent of Decree No. 9,022, of March 31, 2017, from January 2018 until December 2027 (9 years), based on the new legislation in force, the aforementioned amount has been amortized on a monthly basis, through collections to the Electrical Energy Trading Chamber (CCEE).

	Parent Company and Consolidated					12.31.20
	12.31.19	Transfer	Interest	Payment of interests	Payment of interest	
Current						
Special obligations (GRR).....	1,801	1,801	576	(576)	(1,801)	1,801
Non-current						
Special obligations (GRR).....	10,801	(1,801)	-	-	-	9,000

18. OTHER OBLIGATIONS - INVESTMENTS IN THE CONCESSION

Corresponds to the provision for investments in the quota-holding plants, due to the requirements laid out by the 2nd Amendment to the Concession Agreement and Submodule Proret 12.1 - Tariff Regulation Procedures issued by the Brazilian Electricity Regulatory Agency (ANEEL), and is also in accordance with the criteria and definitions established in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets. During the year of 2020, the Investment Plan, initially created in 2018, was revised and generated a reversal in the amount of R\$ 142,106.

	Parent Company and Consolidated			
	Indemnifiable Financial Asset	Other obligations Investments in the concession		Result for the year
		Current	Non current	
Balance as at 12.31.2019.....	92.650	(38.410)	(169.868)	-
Investments made.....	26.967	-	-	-
Advances to suppliers (a).....	2.161	-	-	-
Provision Investments in the concession - Investments to be made.....	-	-	(142.314)	(142.314)
Reversal of Provision.....	-	-	142.106	142.106
Transfer from LT to ST.....	-	(3.801)	3.801	-
Amortization.....	(4.011)	4.011	-	-
Final balance as at 12.31.2020.....	117.767	(38.200)	(166.275)	(208)

(a) Corresponds to the amount advanced to suppliers in the amount of R\$ 9,528, minus R\$ 7,367 due to the assets received during the fiscal

Between January 1, 2013 and December 31, 2020, the Company invested an amount of R\$ 116,425, aimed to modernization, efficiency and the mitigation of risks related to energy production. As established by law, the amount already invested is to be amortized on a straight-line basis, up to the end of the concession, considering that the economic benefits, inherent to the correct investment of financial resources, will generate return (cash flow) up to November 30, 2042.

19. OTHER OBLIGATION - COMGÁS

This is an agreement entered into with Comgás, for the permission to use the Company's areas for consideration, for the installation of construction sites, valve areas, and a gas measurement and receipt station (citygate), effective until November 30, 2042. EMAE received in advance the amount of R\$ 10,544, whose appropriation in its results will occur linearly throughout the contract.

20. TRANSACTIONS WITH RELATED PARTIES

The Company engages in transactions with related parties, as described below:

20.1 FINANCIAL ASSET – SABESP AGREEMENT

Since 2014, the Company had been negotiating an agreement with Sabesp, in order to settle the two lawsuits in court and arbitration, related to the use of water from reservoirs under EMAE's management. The negotiations resulted in the execution of a Private Instrument of Transaction and Other Covenants ("Instrument"), for the termination of all the following disputes, as per the material fact released on October 28, 2016 by the Company.

This Instrument determined the receipt by EMAE of R\$ 218,130 distributed as follows: a) R\$ 46,270, in five successive annual installments of R\$ 9,254, monetarily corrected by the IPCA, or any other index that may come to replace it; and b) R\$ 171,860, in twenty-six successive annual installments of R\$ 6,610, monetarily corrected by the IPCA, or any other index that may come to replace it.

As at December 31, 2020, the Company held a balance of receivables in the amount of R\$ 95,261 from SABESP, of which R\$ 77,677 is classified as non-current assets.

Statement of changes in the Sabesp contract:

	Parent Company and Consolidated				Balance 12.31.20
	Balance 12.31.19	Transfers	Financial Charges	Receipt	
ASSETS					
Current					
Sabesp.....	22,810	17,883	-	(17,813)	22,880
Adjustment to present value.....	(5,986)	(5,296)	5,986	-	(5,296)
	<u>16,824</u>	<u>12,587</u>	<u>5,986</u>	<u>(17,813)</u>	<u>17,584</u>
Non-current					
Sabesp.....	156,682	(17,883)	5,056	-	143,855
Adjustment to present value.....	(71,474)	5,296	-	-	(66,178)
	<u>85,208</u>	<u>(12,587)</u>	<u>5,056</u>	<u>-</u>	<u>77,677</u>
	<u>102,032</u>	<u>-</u>	<u>11,042</u>	<u>(17,813)</u>	<u>95,261</u>

The adjustment to present value was calculated by using an average interest rate of 6.89%, plus a risk premium of 1.29%, both per year, applied over the term of the contract.

Present value of the long-term installments to be received by the end of the contract, by year of maturity:

Non-current	
2022.....	6,683
2023.....	6,248
2024.....	5,841
2025.....	5,461
2026 up to 2042.....	<u>53,444</u>
	<u>77,677</u>

20.2 EMAE rendering of services to PIRAPORA

In 2016, the Company began providing operation and maintenance services to its subsidiary Pirapora Energia S.A.. The contractual term was initially for 4 years, as from the authorization to start the service issued by Pirapora Energia S.A., which was extended until November 2020. In the fiscal year ending December 31, 2020, the Company recognized a service rendering revenue in its results, for the amount of R\$ 3,369 (R\$ 3,007 in the period ending December 31, 2019). In December 2020, the Company signed an agreement with its subsidiary, aimed at sharing personnel costs with the prior consent of ANEEL, and during the year the amount of R\$ 323 was transferred.

20.3 CANAL PINHEIROS SERVICES

This refers to the expenses with services to adjust the channel of the Pinheiros River, deriving from resources from the Government of the State of São Paulo, in order to guarantee operational efficiency.

The expenses incurred with the planned activities are recorded in a specific asset account in the balance sheet, and the Company reports these amounts to the Government of the State of São Paulo on a yearly basis. The reimbursement by the State is done on a monthly basis, and the Company

records these reimbursement amounts as Tied Deposits in its equity liabilities. When the expenses are approved in the reporting, the Company compensates the assets versus liabilities. During the fiscal year ended December 31, 2020, the agreement was terminated.

20.4 SEEM AGREEMENT – CURRENTLY SIMA

On July 16, 2018, the Company signed an agreement with the State Department of Energy and Mining (SEEM), which according to Decree No. 64,132 of March 11, 2019, transferred its functions to the current Department of Infrastructure and Environment (SIMA), executed as a technical-operational cooperation agreement, with the purpose of joining efforts for the development of studies and projects in the energy sphere, with a view to optimizing, rationalizing, and controlling the quality and standards of the energy supply in the State of São Paulo, through a partnership in the use of technical knowledge and technology. The estimated value of the contract was R\$ 3,324, with a term of 18 (eighteen) months. As at December 31, 2020, the Company reported a balance of receivables in the amount of R\$ 529, related to the months of October, November and December 2018.

20.5 ASSIGNMENT OF EMPLOYEES

This refers to the assignment of employees, through reimbursement with the State Energy and Mining Department, Public Management, Sanitation, Justice, Civil House and other agencies within the administration of the State of São Paulo. On November 25, and December 20, 2019, the Company received the amounts of R\$ 8,090 and R\$ 76, respectively, from the Infrastructure and Environment Department (SIMA), and from the Culture and Creative Economy Department, referring to the period from January 2012 to October 2016. Since these amounts are already contained in the allowance for doubtful accounts, we recorded the reversal of R\$ 8,166 in fiscal year 2019. As at December 31, 2020, the balance of receivables was R\$ 6,224, see Note 6 letter (d).

20.6 COMPENSATION OF KEY MANAGEMENT PERSONNEL

In compliance with CPC 05 (R1) - Related-Party Disclosures, the Company informs that during fiscal years 2020 and 2019, the expenditures related to the compensation of key management personnel were as follows:

Related Parties	(a)	2020		2019	
		No. of members	Remuneration	No. of members	Remuneration
Statutory Management (*)		4.00	2,282	3.92	2,086
Fiscal Council		4.17	285	4.33	288
Board of Directors		10.83	1,113	10.67	1,208
Audit Committee		2.17	335	1.75	272
		21.17	4,015	20.67	3,854

(a) Annual average

(*) Fixed and variable remuneration

21. SHAREHOLDERS' EQUITY

21.1 Capital Stock

The paid-in capital stock of R\$ 285,411 comprises 14,705,370 common shares and 22,241,714 preferred shares, all registered shares with no par value.

NAME	COMMON		PREFERRED		TOTAL	
	Shares	%	Shares	%	Shares	%
Centrais Elétricas Bras S.A. Eletrobrás.....	-	-	14,416,333	64.82	14,416,333	39.02
Secretaria da Fazenda do Estado de São Paulo.....	14,353,441	97.61	52,068	0.23	14,405,509	38.99
Companhia do Metropolitano de São Paulo.....	350,832	2.38	-	-	350,832	0.95
Álvaro Luiz Alves de Lima Alvares Otero.....	-	-	2,201,033	9.90	2,201,033	5.96
Others.....	1,097	0.01	5,572,280	25.05	5,573,377	15.08
TOTAL	14,705,370	100.00	22,241,714	100.00	36,947,084	100.00

During the fiscal years ending December 31, 2020 and 2019, no new shares were issued.

According to the Company's Bylaws, regardless of any statutory reform, the capital stock can be increased up to the maximum limit of R\$ 1,116,050, by means of a deliberation taken by the Board of Directors, and with prior consultation with the Fiscal Council.

Each common share is entitled to one vote in the deliberations at the Annual Shareholders' Meeting. Preferred shares are not entitled to voting rights, but shall be entitled to: a) priority in the reimbursement of capital, based on the paid-in capital, with no premium rights, in the event of liquidation of the Company; b) the right to participate in capital increases, resulting from monetary correction and capitalization of reserves and profits, receiving shares of the same type; c) the right to dividends, 10% (ten percent) higher than those attributed to common shares; and d) the right to elect and dismiss a member of the Board of Directors in a separate vote, under the conditions established in Law 6404/76 and its amendments.

21.1 Earnings per share – basic e diluted

Preferred shares are entitled to dividends on earnings 10% greater than those attributable to the common shares. The earnings per share amounts in the table below take this condition into account.

Calculation of earnings per share for the fiscal years ending December 31, 2020 and 2019 (in thousands, except per share amounts):

	Parent Company		and	
	Consolidated			
	2020		2019	
Net Income for the period.....	R\$	198,485	R\$	92,636
Number of common shares.....		14,705,370		14,705,370
Number of preferred shares.....		22,241,714		22,241,714
Total.....		36,947,084		36,947,084
Earnings per share - basic and diluted				
Preferred share.....	R\$	5.57381	R\$	2.60139
Common share.....	R\$	5.06710	R\$	2.36490

The weighted average number of shares used in the calculation of basic earnings per share coincides with the weighted average number of shares used in the calculation of diluted earnings per share, since there are no financial instruments with diluting potential.

21.3 Allocations of the net income for the year

	2020	2019
Net income for the period.....	198,485	92,636
(-) Constitution of legal reserve (5%).....	9,924	4,632
(=) Remaining profit after reserve.....	188,561	88,004
Mandatory dividend (25%).....	47,140	22,001
Recognition of unrealized profit reserve.....	6,509	5,954
Additional dividend proposed.....	14,000	-
Dividends determined in the year.....	67,649	27,955
(-) Interest on Equity over the capital recognized for the year (a).....	(37,614)	(14,124)
Remaining balance of dividends payable	30,035	13,831
(-) Formation of statutory reserve for the rebalance of assets.....	-	66,003
(-) Constitution of reserve for grant repurchase.....	127,421	-
(=) Remaining income.....	-	-

- (a) Payment of Interest on Equity (JSCP) - During the year 2020, the Company, based on the estimated income for the year, decided at an Executive Board Meeting held on November 23, 2020, and deliberated at a Board of Directors Meeting held on December 9, 2020, approved the payment of Interest on Equity in the amount of R\$ 37,614, of which R\$ 3,567 was withheld as Withholding Income Tax (IRRF). The Interest on Equity was imputed to the minimum mandatory dividend for the year. On December 30, 2020, the interest was paid to the shareholders (Note 21.6).

The Company's Management also proposes the following allocations:

Constitution of a legal reserve of R\$ 9,924; mandatory minimum dividend of R\$ 47,140, constitution of an unrealized profit reserve in the amount of R\$ 6,509, which will be distributed as dividends, added to the mandatory dividend; constitution of a reserve for the repurchase of stock grants in the amount of R\$ 127,421 to finance new investment projects in the expansion of hydroelectric and thermoelectric power generation; and an additional proposed dividend of R\$ 14,000, which was recorded in a specific account of the stockholders' equity until a final decision is made, as set out in the Technical Interpretation - ICPC 08 (R1).

21.4 Dividends per share

The dividend per share for the years ended December 31, 2020 and 2019 (in thousands, except per share amount) was calculated as follows:

Net dividend for the year.....	67,649	27,955
	<u>Number of Shares</u>	<u>Number of Shares</u>
ON.....	14,705,370	14,705,370
PN.....	22,241,714	22,241,714
Total number of shares (ON and PN)	36,947,084	36,947,084
	<u>R\$</u>	<u>R\$</u>
Dividend per share		
Common share.....	1.72700	0.71366
Preferred shares.....	1.89970	0.78503
	<u>R\$</u>	<u>R\$</u>
Total dividends per type of share		
ON.....	25,396	10,495
PN.....	42,252	17,460
	67,649	27,955

21.5 Changes in profit reserves

The table below shows the changes in profit reserves as at December 31, 2020 and 2019:

	Parent Company and Consolidated	
	12.31.20	12.31.19
Opening balance of profit reserves at the beginning of the year.....	308,852	244,171
Constitution of legal reserve.....	9,924	4,632
Realization of unrealized profit reserve.....	(6,509)	(5,954)
Realization of the retained earnings reserve.....	(15,022)	-
Realization of the reserve for Grant Repurchase.....	(72,331)	-
Realization of the reserve for Asset rebalancing.....	(134,240)	-
Constitution of the reserve for Asset Rebalance.....	-	66,003
Constitution of the reserve for Grant Repurchase.....	127,421	-
Final balance of earnings reserves at the end of the year.....	218,095	308,852

21.6 Conciliation of dividends and interest on equity

The following table shows the change in dividends and interest on equity for fiscal year 2020:

	Parent Company and Consolidated
Balance of Interest on Equity and Dividends as at 12/31/2019.....	26,880
Payment of Interest on Equity and Dividends for fiscal year 2019.....	(26,530)
Interest on equity declared for the period.....	37,614
Withholding Income Tax on Interest on Equity (JCP).....	(3,567)
Payment of Interest on Equity.....	(34,035)
Recognition of unrealized profit reserve.....	6,509
Additional Dividends declared.....	221,593
Mandatory Dividend, net of JCP for the period.....	9,526
Balance of Interest on Equity and Dividends as at 12/31/2020.....	<u>237,990</u>

22. NET REVENUES

22.1 Conciliation of net operating revenues

	Parent Company		Consolidated	
	2020	2019	2020	2019
REVENUES				
Electric energy quotas (Note 21.2).....	427,171	408,553	427,171	408,553
Energy supply - auction (Nota 21.2).....	-	-	36,845	35,580
Short-term Energy - CCEE (Nota 21.2).....	69	209	997	2,007
Revenues from services rendered (Note 21.3).....	15,001	29,386	11,632	26,379
Other revenues.....	1,386	1,185	1,386	1,185
Revenues related to the construction of own assets (Note 10)....	26,967	22,118	26,967	22,118
	<u>470,594</u>	<u>461,451</u>	<u>504,998</u>	<u>495,822</u>
REVENUE DEDUCTIONS				
COFINS over operating revenues.....	(42,714)	(41,470)	(43,847)	(42,591)
PIS over operating revenues.....	(9,273)	(9,003)	(9,519)	(9,246)
Tax on Services (ISS).....	(746)	(1,473)	(746)	(1,473)
Research and development.....	(3,755)	(3,509)	(3,755)	(3,509)
	<u>(56,488)</u>	<u>(55,455)</u>	<u>(57,867)</u>	<u>(56,819)</u>
NET REVENUES.....	<u>414,106</u>	<u>405,996</u>	<u>447,131</u>	<u>439,003</u>

22.2 Electric Energy Sold

	Parent Company				Consolidated			
	MWh (*)		R\$		MWh (*)		R\$	
	2020	2019	2020	2019	2020	2019	2020	2019
Physical quota guarantees (a)								
Electric energy quotas.....	1,280,308	1,142,286	427,171	408,553	1,280,308	1,142,286	427,171	408,553
Supply (b)								
Auction.....	-	-	-	-	133,808	140,176	36,845	35,580
Electric Energy Trading Chamber (CCEE) (c)								
Short-term energy.....	-	-	69	209	-	-	997	2,007
Total.....	1,280,308	1,142,286	427,240	408,762	1,414,116	1,282,462	465,013	446,140

(*) Not audited by independent auditors.

- a) Physical guarantee quotas were introduced by Law 12.783/2013 and are related to the allocation to distributors of the physical guarantee of the plants that signed an addendum extending the concession term. These plants started to be remunerated by RAG, see other information in Note 1;
- b) The operations of selling energy to other electric energy concessionaires are classified as "supply", generally, through contracts signed in auctions at the ACR;
- c) Includes the billing values for the available energy traded within the Electric Energy Trading Chamber (CCEE).

22.3 Revenues from services rendered

This refers to revenue from the rendering of operation and maintenance services by EMAE, as follows:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Petrobras (UTE's) (a).....	8,929	23,798	8,929	23,798
PMSP (Eduardo Yassuda Pumping Station).....	2,594	2,224	2,594	2,224
Operation and Maintenance Service - PIRAPORA (Note 19.2).....	3,369	3,007	-	-
Other services.....	109	357	109	357
	<u>15,001</u>	<u>29,386</u>	<u>11,632</u>	<u>26,379</u>

- (a) Contract with Petróleo Brasileiro S.A. Petrobras to provide operation and maintenance services for the steam turbines 3 and 4 of the Piratininga Thermoelectric Plant. The contract provides for remuneration based on a fixed amount plus a variable portion.

23. OPERATION COSTS AND OPERATING EXPENSES BY NATURE

23.1 Parent Company

	Cost of electric power service		General and Administrative expenses		Other (expenses) and income		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019
Charges for the use of the electric grid.....	(41.290)	(35.804)	-	-	-	-	(41.290)	(35.804)
Financial compensation for the use of water resources.....	(7.136)	(10.503)	-	-	-	-	(7.136)	(10.503)
Inspection fee (ANEEL).....	-	-	(1.340)	(1.267)	-	-	(1.340)	(1.267)
Personnel.....	(85.250)	(77.404)	(21.313)	(19.351)	-	-	(106.563)	(96.755)
Administrators.....	(3.997)	(3.642)	-	-	-	-	(3.997)	(3.642)
Pension plan to employees (Note 15).....	(2.935)	(6.324)	-	-	-	-	(2.935)	(6.324)
Material.....	(2.902)	(2.913)	(2.244)	(2.257)	-	-	(5.146)	(5.170)
Outsourced services.....	(40.395)	(38.677)	(23.634)	(19.855)	-	-	(64.029)	(58.532)
Depreciation.....	-	-	(1.836)	(1.674)	-	-	(1.836)	(1.674)
Rents.....	-	-	(5.860)	(2.804)	-	-	(5.860)	(2.804)
Provision for labor, civil and tax risks (Note 16).....	(16.636)	(4.223)	-	-	-	-	(16.636)	(4.223)
Investments in the concession Provision (Note 18).....	(208)	(141.946)	-	-	-	-	(208)	(141.946)
Allowance for doubtful accounts.....	(542)	(21)	-	-	-	-	(542)	(21)
(-) Reversal of the allowance for doubtful accounts.....	-	8.166	-	-	-	-	-	8.166
Costs related to construction of own assets (Note 10).....	(26.967)	(22.118)	-	-	-	-	(26.967)	(22.118)
Condominium charges.....	-	-	(845)	(378)	-	-	(845)	(378)
Donations.....	-	-	-	-	(1.916)	(550)	(1.916)	(550)
Gain on disposal of assets and rights.....	-	-	-	-	-	501	-	501
Banco do Brasil Agreement.....	-	-	-	-	192	169	192	169
Others.....	(6.610)	(11.859)	-	-	(153)	(1.046)	(6.763)	(12.905)
Total.....	(234.868)	(347.268)	(57.072)	(47.586)	(1.877)	(926)	(293.817)	(395.780)

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23.2 Consolidated

	Cost of electric power service		General and Administrative expenses		Other (expenses) and income		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019
Physical guarantee (GSF).....	(1.449)	(1.086)	-	-	-	-	(1.449)	(1.086)
Charges for the use of the electric grid.....	(41.557)	(36.087)	-	-	-	-	(41.557)	(36.087)
Financial compensation for the use of water resources.....	(7.136)	(10.503)	-	-	-	-	(7.136)	(10.503)
Inspection fee (ANEEL).....	-	-	(1.417)	(1.344)	-	-	(1.417)	(1.344)
Personnel.....	(85.573)	(77.404)	(21.313)	(19.351)	-	-	(106.886)	(96.755)
Administrators.....	(3.997)	(3.642)	-	-	-	-	(3.997)	(3.642)
Pension plan to employees (Note 15).....	(2.935)	(6.324)	-	-	-	-	(2.935)	(6.324)
Material.....	(3.112)	(3.042)	(2.244)	(2.257)	-	-	(5.356)	(5.299)
Outsourced services.....	(43.593)	(41.119)	(23.634)	(19.855)	-	-	(67.227)	(60.974)
Depreciation.....	-	(4.087)	(5.999)	(1.674)	-	-	(5.999)	(5.761)
Rents.....	-	-	(5.919)	(2.834)	-	-	(5.919)	(2.834)
Provision for labor, civil and tax risks (Note 16).....	(16.636)	(4.223)	-	-	-	-	(16.636)	(4.223)
Investments in the concession Provision (Note 18).....	(208)	(141.946)	-	-	-	-	(208)	(141.946)
Allowance for doubtful accounts.....	(542)	(21)	-	-	-	-	(542)	(21)
(-) Reversal of the allowance for doubtful accounts.....	-	8.166	-	-	-	-	-	8.166
Costs related to construction of own assets (Note 10).....	(26.967)	(22.118)	-	-	-	-	(26.967)	(22.118)
Condominium charges.....	-	-	(845)	(378)	-	-	(845)	(378)
Donations.....	-	-	-	-	(1.916)	(550)	(1.916)	(550)
Gain on disposal of assets and rights.....	-	-	-	-	-	501	-	501
Banco do Brasil Agreement.....	-	-	-	-	192	169	192	169
Others.....	(6.833)	(12.088)	-	-	(384)	(1.046)	(7.217)	(13.134)
Total.....	(240.538)	(355.524)	(61.371)	(47.693)	(2.108)	(926)	(304.017)	(404.143)

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24. FINANCIAL RESULT

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income				
Income from financial investments.....	10,893	15,963	11,391	17,140
Quota remuneration.....	-	-	-	-
Interest on leasing TEP Piratininga (Note 6).....	15,514	18,026	15,514	18,026
Financial assets - Sabesp (Note 19.1).....	5,986	6,630	5,986	6,630
(-) Taxes on financial income.....	(538)	(838)	(538)	(838)
Others.....	183	553	189	1,025
	<u>32,038</u>	<u>40,334</u>	<u>32,542</u>	<u>41,983</u>
Expenses				
Interest.....	-	-	(4,652)	(6,059)
Others.....				
Charges on taxes and social contributions.....	(22)	(225)	(22)	(225)
Fuel Oil Update.....	(194)	(457)	(194)	(457)
Selic update on R&D projects.....	-	(19)	-	(19)
Interest on RGR.....	(576)	(664)	(576)	(664)
Others.....	(6)	(180)	(18)	(186)
	<u>(798)</u>	<u>(1,545)</u>	<u>(5,462)</u>	<u>(7,610)</u>
Monetary variation				
Monetary update TEP Piratininga (Note 6).....	95,307	47,979	95,307	47,979
Financial assets - Sabesp (Note 19.1).....	5,057	5,072	5,057	5,072
Other monetary variations	488	1,514	488	1,514
	<u>100,852</u>	<u>54,565</u>	<u>100,852</u>	<u>54,565</u>
	<u>132,092</u>	<u>93,354</u>	<u>127,932</u>	<u>88,938</u>

25. INSURANCE

The Company's Management maintains insurance policies, in the forms specified below:

Risk	Effective date	End of term	Insured amount	Premium
General Civil Liability - Operational and Activities (a).....	04/09/2020	04/09/2021	40,000	342
General Civil Liability - Management Activities (b).....	12/05/2020	12/05/2021	70,000	468
Operational Risk Insurance (c).....	10/27/2020	10/27/2021	283,776	4,750
Vehicle Insurance - Trucks (d).....	09/11/2020	09/11/2021	1,078	3
Civil Liability Insurance - Vehicle Storage (e).....	10/29/2020	10/29/2021	730	34
Operational Risk Insurance (f).....	08/23/2020	08/23/2021	97,089	165
Business Insurance - Condominium (g).....	08/01/2020	08/01/2021	5,757	1
			<u>498,430</u>	<u>5,763</u>

- a) These refer to material and personal damages unintentionally caused by the Company to third parties;
- b) These refer to damages caused to third parties by Management (Directors and Officers) actions;
- c) This refers to coverage against fire damage, lightning strike, and explosion, affecting the equipment of EMAE's Plants;
- d) This refers to coverage against collision, fire, theft, property damage, and personal injury involving trucks;
- e) This refers to the Civil Liability coverage for damages caused to third-party vehicles under the Company's watch;
- f) This refers to coverage against fire, lightning, and explosion damage to the equipment at SHP Pirapora;
- g) Fire, lightning, explosion, and rental loss insurance.

26. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Parent Company		Consolidated		Classification
	12.31.20	12.31.19	12.31.20	12.31.19	
Cash and cash equivalents (Note 4).....	859	636	1.948	1.629	Amortized cost
Financial investments (Note 4).....	506.843	396.821	516.766	411.293	Amortized cost
Distributors (Note 5).....	36.526	33.769	40.805	37.979	Amortized cost
Leasing TEP Piratininga (Note 6).....	396.101	385.718	396.101	385.718	Amortized cost
Other credits (Note 7).....	8.083	10.621	3.616	6.537	Amortized cost
Guarantees and tied deposits (Note 9).....	37.078	25.795	39.795	28.738	Amortized cost
Financial assets - Sabesp (Note 19.1).....	95.261	102.032	95.261	102.032	Amortized cost
Indemnifiable financial assets (Note 10).....	117.767	92.650	117.767	92.650	Amortized cost
Reversible assets of the concession (Note 11).....	195.374	195.374	195.374	195.374	Amortized cost
Suppliers.....	4.192	4.413	4.656	4.627	Amortized cost
Dividends and interest on equity.....	237.990	26.880	237.990	26.880	Amortized cost
Other obligations - Investments in the concession (Note 18).....	204.475	208.278	204.475	208.278	Amortized cost
Services - Pinheiros Channel (Note 19.3).....	-	53	-	53	Amortized cost
Financing (Note 14).....	-	-	66.361	73.184	Amortized cost

Measurement of Fair Value

When measuring the fair value of an asset or a liability, the Company and its subsidiary use observable market data as much as possible. Fair values are classified

into different levels in a hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs, except quoted prices included in Level 1, that are observable for both assets or liabilities, either directly (prices) or indirectly (price derivatives).
- Level 3: inputs, for both assets and liabilities, which are not based on observable market data (non-observable inputs).

The amounts recorded as at December 31, 2020 and 2019 are a reasonable approximation of the fair values of the Company's financial assets and liabilities.

27. RISK MANAGEMENT

The Company's operations comprise mainly the power generation and are fully committed through quotas with the public service concession companies of electric energy distribution (captive market). Its subsidiary's operation comprises the power generation, which is traded through agreements entered into in the regulated contracting environment. The main market risk factors that affect its business are as follows:

27.1 CAPITAL STRUCTURE RISKS

These result from the decision to opt between equity capital and third-party capital that the Company and its subsidiary take to finance their operations (capital structure). In order to mitigate liquidity risks and optimize the weighted average cost of capital, the Company and its subsidiary permanently monitor their indebtedness levels according to market standards and compliance with contractual clauses in loan and financing contracts.

A.1) Operations with derivative financial instruments

As at December 31, 2020 and 2019, the Company and its subsidiary did not hold derivative financial instruments or other similar instruments.

A.2) Credit risk

The risk arises from the probability of the Company incurring losses due to the difficulty in receiving amounts billed to its customers, classified in the Distributors account (Note 5). This risk is evaluated by the Company

and its subsidiary as low, considering: (1) for receivables resulting from supply revenue and electric energy quotas - the existence of contractual guarantees, the fact that they are public service concessionaires of energy distribution under federal supervision, including subject to intervention of the concession, and because there is no history of significant losses in the receipt; and (2) for receivables resulting from the revenue from services rendered - the size of their customers and prior credit analysis.

As at December 31, 2020, the Company and its subsidiary held cash and cash equivalents in the amount of R\$ 507,702 and R\$ 518,714, parent company and consolidated, respectively (R\$ 397,457, parent company, and R\$ 412,922, consolidated, as at December 31, 2019), which are held in prime financial institutions.

As at December 31, 2020 and 2019, the main receivables bearing maximum credit risk exposure were as follows:

	Parent Company and Consolidated	
	12.31.20	12.31.19
Services on the channel of Pinheiros River (Note 19.3).....	-	(53)
Financial Lease TEP Piratininga (Note 6).....	396,101	385,718
Indemnifiable financial assets (Note 10).....	117,767	92,650
Concession reversible assets (Note 11).....	195,374	195,374
Financial assets - Sabesp (Note 19.1).....	95,261	102,032
	<u>804,503</u>	<u>775,721</u>

The credit risk on the accounts receivable from financial leasing and services for the Pinheiros River channel are evaluated as low by the Company Management, due to their track record and the absence of expected losses.

The realization of the accounts receivable from the financial lease of Piratininga Thermoelectric Plant depends on the financial capacity of the counterpart ("Petrobras") to make the payments within the contractual timeframes. Up to the reporting date of these financial statements. There have been no delays in the receipt of these accounts receivable.

The indemnifiable financial assets and reversible assets of the concession refer to amounts to be reimbursed by the Granting Authority, through the concession tariffs or in cash. The Company Management considers the credit risk as low, considering that these amounts have been calculated in accordance with the regulations in force, although they are subject to inspection by ANEEL and, therefore, subject to possible impairment.

The realization of the Financial Asset - Sabesp depends on the financial capacity of the counterpart ("SABESP") to perform the payments on the due dates, as established in the contract. Up to the reporting date of these financial statements, there have been no delays in the receipt of this financial asset.

A.3) Exposure to currency risks

During the fiscal years ended December 31, 2020 and 2019, the Company and its subsidiary did not carry out any material foreign currency transactions.

A.4) Exposure to interest rate risks

The financial investments of the Company and its subsidiary were carried out in fixed income funds, with daily liquidity and as at December 31, 2020 and 2019, they are recorded at their quota value.

In order to check the sensitivity of the financial income to the risks of interest rate variations, in spite of the balance of financial investments changing according to the need and availability of cash, scenarios for changes equivalent to 25% and 50% of the estimated index used in the probable scenario were drawn up, aiming to forecast the profitability on the existing balance for the next 12 months.

The index applied in the probable scenario was obtained from the Brazilian Central Bank - Economic Indicators - Chapter III Financial and Capital Markets - Effective interest rates for December 31, 2020, with CDI overnight rate at 1.90% p.a.

I-CVM 475	Balance 12.31.2020 Note 4	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
CDI		1.90%	2.38%	2.85%
Parent Company	506,843	9,630	12,063	14,445
Consolidated	516,766	9,819	12,299	14,728

I-CVM 475	Balance 12.31.2020 Note 4	Probable Scenario	Scenario I (-25%)	Scenario II (-50%)
CDI		1.90%	1.43%	0.95%
Parent Company	506,843	9,630	7,248	4,815
Consolidated	516,766	9,819	7,390	4,909

The Lease Contract of UTP Piratininga is updated monthly at a 9.32% p.a. rate plus IGPM.

For the sensitivity analysis of the IGPM variation risk, a 9.32% p.a. rate was considered, imputed in the contract and the interest on the negative balance as at December 31, 2020 was projected, referring to

the receivables amount for the scenarios with IGPM variations equivalent to 25% and 50%, either more or less.

I-CVM 475	Balance 12.31.2020 Note 6	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
IGPM	4.13%	13.83%	14.96%	16.09%
Lease UTP	396,101	54,800	59,271	63,742

I-CVM 475	Balance 12.31.2020 Note 6	Probable Scenario	Scenario I (-25%)	Scenario II (-50%)
IGPM	4.13%	13.83%	12.71%	11.58%
Lease UTP	396,101	54,800	50,329	45,858

The Sabesp agreement is updated at a 6.89% p.a. rate plus a risk premium of 1.29% p.a..

For the sensitivity analysis of the IPCA variation risk, a fixed rate of 6.89% plus a risk premium of 1.29% p.a., imputed in the contract, were considered, and the forecast interest on the negative balance as at December 31, 2020, referring to the amounts receivable for the scenarios with IPCA variations equivalent to 25% and 50%, up and down, either more or less, was carried out.

I-CVM 475	Balance 12.31.2020 Note 19.1	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
IPCA	3.25%	11.79%	12.67%	13.55%
SABESP	95,261	11,230	12,068	12,906

I-CVM 475	Balance 12.31.2020 Note 19.1	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
IPCA	3.25%	11.79%	10.91%	10.03%
SABESP	95,261	11,230	10,392	9,554

Pirapora Energia S.A., the Company's subsidiary, holds a financing contracted with BNDES for the construction of SHP Pirapora. The financing is updated on a monthly basis by the TJLP + 1.90% p.a.

For the sensitivity analysis of the interest rate variation risk (TJLP), a fixed 1.90% p.a. spread was considered, as provided for in the contract, and a forecast of the interest on the outstanding balance as at December 31, 2020 was prepared, relative to the loan installments already released, for the scenarios with TJLP variations equivalent to 25% and 50%.

The index applied in the probable scenario corresponds to the current TJLP of 4.39% p.a.

I-CVM 475	Balance 12.31.2020 Note 14	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
TJLP	4.39%	6.37%	7.49%	8.61%
BNDES financing	66,361	4,229	4,972	5,714

I-CVM 475	Balance 12.31.2020 Note 14	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
TJLP	4.39%	6.37%	5.26%	4.14%
BNDES financing	66,361	4,229	3,487	2,745

A.5) Liquidity risk

The Company periodically evaluates its liquidity ratios, in order to maintain a minimum level of cash and cash equivalents, as a way to ensure the availability of financial resources and minimize liquidity risks.

The table below presents information on future maturities of the Company's financial liabilities. As regards the caption "Financing", a projected cash flow is being considered. Since it is a projection, these values differ from those disclosed in the explanatory note:

A.6) Debt acceleration risk

The Company holds a financing contract with BNDES, which contains early maturity clauses ("covenants"), normally applicable to this type of operation, related to compliance with economic and financial ratios (Note 14) and others. As at December 31, 2020 and 2019, the Company was compliant with the covenants clauses.

Consolidated	Less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Suppliers.....	4,656	-	-	-	-	4,656
Financing.....	66,361	-	-	-	-	66,361
Dividends/ JSCP ...	221,593	16,035	-	-	-	237,628
Total	292,610	16,035	-	-	-	308,645

27.2 HYDROLOGICAL RISK

With the extension for the concession of EMAE hydroelectric plants, under the terms of Law 12.783/2013, the hydrological risk of the plants was transferred to the distributors acquiring the energy and power quotas. SHP Pirapora, owned by its subsidiary, adhered to the renegotiation of hydrological risk, under Law 13,203/2015 in product SP 100, see other information in Note 7 letter (f), thus mitigating its exposure to this risk.

27.3 PRICE RISK

With the extension of EMAE's hydroelectric plants concession, under the terms of Law 12.783/2013, the amendment to the concession agreement provides for a tariff review every 5 years, and a tariff adjustment on July 1 of each year, except for the years in which there is a tariff review. Therefore, the tariffs practiced by the Company are subject to the regulatory agency's control. According to the parametric formula provided in sub-clause 3, Clause 6 of the 2nd Additional Term to the Concession Agreement, the AGR will be adjusted by the unavailability or performance assessed during the measurement period (60 months).

The prices for the sale of electricity by the subsidiary Pirapora are those determined in the contracts signed within the Regulated Contracting Environment (RCE), which are adjusted by the IPCA variation on an annual basis. Any renegotiation of contracts must be previously submitted for approval by the regulatory agency.

By means of Normative Resolution No. 2,746, dated July 30, 2020, ANEEL published and ratified the Annual Generation Revenue of the Hydroelectric Plants under the quota regime, pursuant to Law No. 12,783, dated January 11, 2013, and fixed the tariff associated with the physical guarantee quotas related to EMAE's energy and power, for the period July 1, 2020 to June 30, 2021.

The revenues approved by this resolution for EMAE are shown below::

	GAM O&M (a)	GAM IMPROVEMENTS (b)	CAIMI (c)	USE D (e)	USE T (e)	AJI (d)	ADJUSTMENT BEFORE SECTORIAL CHARGES (e)	TFSEE (e)	R&D (e)	AGR
Henry Borden.	132,981	164,109	11,255	38,548	5,394	16,037	3,192	1,310	3,753	376,579
Porto Góes.....	3,988	4,338	267	498	-	-	139	35	93	9,358
Rasgão.....	3,370	3,175	236	441	-	-	114	28	74	7,438
	140,339	171,622	11,758	39,487	5,394	16,037	3,445	1,373	3,920	393,375

Source: REH 2.746/2020 Technical Note No. 129/2020

The AGR (Annual Generation Revenue) 2020/2021 has introduced the third adjustment of the first tariff revision applied to the generating concessionaires under the quota regime, with the incorporation of the additional allowance for investments in improvements (GAG Improvements) for the plants under the Company's management. The GAM (Generation Assets Management) Improvements are resources incorporated into the AGR, intended to finance improvements in the quota-regulated plants, aimed at enhancing the quality levels of the service provided.

The approved adjustment represents an increase of approximately 6.97% in relation to the previous AGR.

Recognition of Investments in the concession as revenue, when performance covenants are met.

The performance covenants associated with GAM improvements relate to investments in infrastructure improvements. The Company understands that the performance covenants are met over time, due to the fact that the investments in improvements do not create an asset with alternative use for the Company. This can be justified by the fact that they are specific to the Company's plants and that the Company is entitled to payment for the investment made to date, provided they are made prudently, as the AGR is received on a monthly basis irrespective of the investment made.

Thus, the revenue related to GAM improvements is being appropriated on a monthly basis, and the costs related to the replacement and modernization of the hydraulic and electromechanical equipment are being provisioned under the heading "Other Liabilities - Investments in the concession", based on estimates of required and prudent investments prepared by the Company Management..

a) GAM O&M

GAM O&M is the portion of the revenue that ANEEL makes available to the electric energy generation concessionaires under the quota regime, for managing the generation assets in order to remunerate the operation and maintenance costs of the plants.

b) GAM Improvements

GAM improvements is the portion of the revenue that ANEEL has granted to electric power generation concessionaires, under the quota regime, to make up for the investments towards improvement and conservation made and claimed after December 31, 2012.

c) CAIMI

CAIMI is the portion of the revenues earmarked for spending on rentals or investments in assets of a non-reversible nature such as: administrative assets, furniture, fixtures, vehicles, etc.

d) AJI

Unavailability Adjustment is the AGR component that measures the quality of the service provided, besides the X Factor that can also be used for this purpose. Generators are penalized when unavailability limits are exceeded.

e) USE D, USE T, TFSEE and R&D

These correspond to the transfer of costs with the use of the distribution and transmission system, as well as of regulatory charges.

27.4 REGULATORY RISK

Any change in the regulatory environment may have an impact on the activities of the Company and its subsidiary.

27.5 RISK OF CHANGES IN THE TAX LEGISLATION

The Federal Government may implement changes in the tax legislation, which could impact the Company's and its subsidiary's operations, mainly if the tax burden is increased.

27.6 RISK RELATED TO THE INTEGRITY OF THE ORGANIZATION

The Company operates hydroelectric reservoir dams ("dams") in densely populated regions. Possible accidents may affect communities in the vicinity of these structures. The exploration of the hydroelectric sector, as outlined in its Concession Agreement, is carried out considering the risks inherent to its operation, including those of reduced probability, such as rupture or overflow of the dams. Events of this nature could cause damage to existing properties downstream, posing a risk of death to their inhabitants and incalculable damage to the environment and the economy. In such hypotheses, the Company may be sued with indemnity claims and, consequently, may have its financial situation adversely affected. In order to mitigate these risks, the Company adopts dam safety procedures, under the terms of the current legislation, which are described below.

Safety of Dams

EMAë's dam safety system was established according to the provisions of Federal Law No. 12,334/2010, which deals with the National Policy on Dam Safety, and ANEEL Normative Resolution No. 696/2015, which in connection with the aforementioned Federal Law, lays down criteria for classification and formulation of the Dam Safety Plan and Periodic Safety Review.

Within this context, the safety procedures for EMAë's dams comprise regular safety inspections by means of inspections of the structures, monitoring, and analysis of the instrumentation associated with the Predictive and Preventive Maintenance Programs.

In addition, EMAë has on its team engineers specialized in dams, environment, and building technicians who carry out such inspections, and prepare the technical documentation, ensuring the safety of its dam structures.

Classes of Risk:

- A- Dams that present a high-risk category and potential damage, and whose anomalies require short-term intervention to maintain safety conditions. They do not necessarily mean cases of immediate risk of rupture.
- B- Dams that present a high-risk category or potential damage, and whose anomalies, if present, must be controlled, monitored, and interventions can be implemented over time to maintain safety conditions.
- C- Dams that present a medium- or low-risk category and potential damage, and that do not present anomalies. Moreover, the existing anomalies do not compromise the dam's safety.

Specifically with respect to the subsidiary Pirapora Energia S.A, it should be noted that according to the Dam Classification Report - 2018 Cycle April 2019 Edition, the risk of the Pirapora Dam has changed from Risk Class "A" to Class "B". In relation to EMAë dams we inform you that they are classified in the risk classes "B" and "C".

27.7 RISK RELATED TO THE DEVELOPMENT OF ACTIVITIES IN THE MAIN METROPOLITAN REGIONS OF THE STATE

EMAë's reservoirs are located in the São Paulo Metropolitan Region, and are subject to urban pressures arising from this location, notably because it is a

densely populated region and the stage for several conflicts over the use of land, public water supply, flood control and environmental issues. This scenario may adversely impact the Company, especially due to the occupation of its urban areas and river banks, with negative impacts from a social, environmental and operational point of view.

The tailings from the dredging of the Pinheiros Channel are deposited on EMAE's land, which temporarily receives the dredged waste materials. These sites are called "Dump Sites" ("Bota Fora").

The accumulation of the dredged material is made possible by the dikes consisting of dumped or compacted embankments, which accompany the perimeter of each of the plots of land (pits) used by the "Dump Sites".

The area that encompasses Dump Site 14, located at the confluence of the Pinheiros and Tietê Highways, composed of three Pits identified as A, B and C, with approximately 280,000 m³ of dumped material, referring to the tailings from the dredging of the Pinheiros Channel, and surrounded by containment dikes in dumped and compacted landfill, is currently found in unstable conditions, with potential risk of slippage.

The instability of the containment dikes is caused by the invasion of the area, due to the construction of precarious buildings, which have caused excavations on the slopes, reducing their sections, associated with the rupture of part of the upstream slope, mainly on the dike of Pit B, requiring corrective action.

The assessments of EMAE's assets and technical areas, and declarations from the Municipal Civil Defense, IPT, CETESB, which inspected the areas, and the Environmental Prosecutor's Office, which expressed their positions through reports or other statements, converge in pointing out that the site presents a high potential risk of accident, either by slipping or by the presence of gas (fire or explosion).

EMAE filed two repossession lawsuits, initially for Pit "C" (year 2012), later for Pits "A" and "B" (year 2015).

The lawsuits, filed in the 4th Civil Court of the Lapa Forum, are joined by technical pronouncements from reputable agencies, among others, IPT and CETESB, associated with positions of the Municipal Civil Defense and the State Environmental Prosecutor's Office.

Due to the imminent risk of accidents, in 2019, the Civil Defense of the Municipality of São Paulo promoted an action to remove people from the site. Thus, the A, B and C Pits were evacuated, and it was up to EMAE to remove the 129 shacks, brick houses and transport people and goods.

Subsequently, the Company started the removal and disposal of the residues resulting from the process, blocking the area with the beginning of the construction, and erecting a wall to protect the property, and moreover the implementation of the necessary corrections to the containment embankments.

27.8 RISK IN THE MANAGEMENT OF THE TIETÊ/PINHEIROS WATER SYSTEM (FLOOD CONTROL)

Through Resolution No. 72, of March 25, 1998, ANEEL transferred to EMAE the rights to exploit the electric power public utilities, notably to carry out operations intended for the generation of electric power.

In this sense, in connection with its Bylaws, Concession Agreement and Legislation in force, EMAE performs within the management of the Tietê/Pinheiros water system, among others, the activities associated with the flow control of the rivers, in order to prevent flooding on its banks. However, the potential occurrence of floods can be linked to the activities carried out by the Company.

27.9 RISK IN THE OPERATION AND MAINTENANCE OF THE FERRIES - BILLINGS RESERVOIR

The Company, due to the succession of obligations of the former company Light, as a result of the flooding of the reservoir, operates and maintains free of charge, crossings by ferries in three points of the Billings reservoir, transporting a large number of pedestrians and vehicles. The service meets all the safety standards issued by the Brazilian Navy. However, Management does not have the means to accurately determine the impacts of an eventual accident with these vessels.

27.10 ACTUARIAL DEFICIT COVERAGE RISK

As informed in the explanatory note 15, the Company sponsors retirement and pension benefit plans for its employees, the Retirement and Pension Supplementation Plan (PSAP/EMAE) and the Defined Contribution Plan (EMAE DC), which are subject to annual actuarial revaluation.

Due to the characteristics of PSAP/EMAE, deficits can be calculated through changes in the actuarial parameters used at each revaluation, such as: mismatching of the coverage equity ratio with the benefit adjustment ratio, real interest rate, mortality chart, inflation, among others. As determined by the regulations applicable to complementary pension plans, calculated deficits must be balanced and, thus, there is the risk of increasing pension expenses.

In order to mitigate this risk, in addition to other measures, in May 2018, the Company suspended the PSAP/EMAE for new enrollments, and started to offer a defined contribution plan, the EMAE DC, which enjoys characteristics that may mitigate the actuarial deficit coverage risk. Additionally, in March 2019, it proposed the replacement of the adjustment index for PSAP/EMAE benefits, from IGP-DI to IPCA. The implementation of the IPCA is subject to PREVIC's approval..

28. LONG-TERM COMMITMENTS

The Company holds the following long-term commitments that are deemed relevant:

a) Concession agreement

On December 4, 2012, the Company signed with the Federal Government the second amendment to the concession contract No. 02/2004-ANEEL, extending up to November 30, 2042 the concessions of the Henry Borden, Rasgão and Porto Góes hydroelectric plants.

b) Authorization agreement

ANEEL issued the Authoritative Resolution No. 1,429, of June 24, 2008, authorizing EMAE to establish itself as an Independent Power Producer, through the implementation and operation of SHP Pirapora. The authorization is valid for 30 years from the date of its publication.

c) Contracts for the use of the transmission and distribution system

The Company maintains the following transmission and distribution agreements:

Unit	Type of connection	Company
Henry Borden	Transmission	CTEEP - Cia. De Transmissão de Energia Elétrica Paulista (SIN)
Henry Borden	Distribution	CPFL - Cia Paulista de Força e Luz
Porto Goes	Distribution	CPFL - Cia Paulista de Força e Luz
Rasgão	Distribution	ENEL - Ente Nazionale per L'Energia Elettrica
PESA S.A	Distribution	ENEL - Ente Nazionale per L'Energia Elettrica

All contracts are valid until the date of termination of the authorization or dissolution of the Company, whichever occurs first.

d) Financing Contract

Pirapora Energia S.A. - a wholly-owned subsidiary of the Company - holds a financing contract with the Brazilian Economic and Social Development Bank (BNDES) (Note 14).

29. Non-Cash Alterations

During fiscal 2020, the Company and its subsidiary conducted the following non-cash transactions:

Parent Company				
	12.31.19	Cash Flow	Non-Cash Alterations	12.31.20
Lease UTP.....	(385,718)	100,438	(110,821)	(396,101)
Indemnifiable financial assets.....	(92,650)	(29,128)	4,011	(117,767)
Investments.....	(96,973)	17,613	(17,636)	(96,996)
Property, Plant and Equipment.....	(72,147)	(7,299)	763	(78,683)
Intangibles.....	(5,657)	(3,146)	1,073	(7,730)

Consolidated				
	31.12.19	Cash Flow	Non-Cash Alterations	31.12.20
Lease UTP.....	(385,718)	100,438	(110,821)	(396,101)
Indemnifiable financial assets.....	(92,650)	(29,128)	4,011	(117,767)
Property, Plant and Equipment.....	(222,237)	(10,074)	4,848	(227,463)
Intangibles.....	(6,004)	(3,146)	1,151	(7,999)
Financing.....	73,184	(11,475)	4,652	66,361

30. SUBSEQUENT EVENTS

30.1 CAPITAL ADDITION IN SUBSIDIARY

On January 20, 2021, the Board of Directors Meeting approved the early settlement of the financing contracted with BNDES (the Brazilian Economic and Social Development Bank) in 2012, for the construction of SHP Pirapora Energia S.A. (See Note 14 - Financing). The settlement shall be effected through payment in full by the Company to the subsidiary Pirapora, in the amount of R\$ 64,000, for subsequent transfer to BNDES.

30.2 STUDY FOR PRIVATIZATION FOR SALE OF SECURITIES ASSETS

On February 19, 2021, the state of São Paulo, through its Finance and Planning Department, hired Banco Fator S.A. through electronic trading session NC



50/2020 - Process: SFP-PRC-2020/25566, in order to provide specialized technical consulting services for the assessment, modeling, and execution of the sale of securities assets, held directly and indirectly by the State Government of São Paulo.

EXECUTIVE BOARD

MARCIO REA

CHIEF EXECUTIVE OFFICER - CEO

PABLO ANDRÉS FERNÁNDEZ UHART

CHIEF FINANCIAL AND INVESTOR RELATIONS OFFICER

CFO and IRO

PAULO ERNESTO STRAZZI

ADMINISTRATIVE OFFICER

ITAMAR RODRIGUES

GENERATION OFFICER

PEDRO JONAVICIUS

MANAGER OF FINANCE AND CONTROLLING

DEPARTMENT

FÁBIO TONETTO

ACCOUNTING, COSTS AND

FISCAL COORDINATOR

ACCOUNTANT - CRC 1SP264253/O-4



BOARD OF DIRECTORS

CHAIRMAN

LUIZ CARLOS LUSTRE

MEMBERS OF THE BOARD OF DIRECTORS

MARCIO REA
CARLOS ANTONIO LUQUE
PAULO FERREIRA

ZEVI KANN
NELSON LUIZ RODRIGUES NUCCI
RONALDO GARCIA BARBOZA
RITA JOYANOVIC

EDUARDO DE FREITAS TEIXEIRA
RAUL IBERÊ MALAGÓ
PAULO CESAR DO CARMO

4. RECOMMENDATION FROM THE AUDIT COMMITTEE

Relative to the financial statements of EMAE Empresa Metropolitana de Águas e Energia S.A. as at December 31, 2020

The Audit Committee has accompanied the process of ascertainment and preparation of the Financial Statements of EMAE - Empresa Metropolitana de Águas e Energia S.A. and subsidiary, for the fiscal year ending December 31, 2020, having discussed these financial statements with the Finance and Controlling Department. It has examined the aforementioned financial statements and discussed them with the independent auditors. At the end of the process, the Audit Committee acknowledged and discussed the independent auditors' report issued without reservations.

Based on the above information, discussions and analysis, the Audit Committee recommends to the Board of Directors the approval of the audited financial statements, of EMAE - Empresa Metropolitana de Águas e Energia S.A. and subsidiary, for the fiscal year ending December 31, 2020.

São Paulo, March 10, 2021.

Benedito Alfredo Baddini Blanc
Independent Member

Eduardo de Freitas Teixeira
Supervisor and Independent Member

Paulo Ferreira
Member

Gabriel Monegatti Mattei
Independent Member

Saverio Orlandi
Member

5. FISCAL COUNCIL's OPINION

The Fiscal Council of EMAE - Empresa Metropolitana de Águas e Energia S.A., in compliance with what has been set forth in clauses II, III, VII of article 163 of Law No. 6. 404/76, of December 15, 1976, and subsequent amendments, has examined the Company's Accounting Statements for the Fiscal Year ended December 31, 2020, which were prepared in accordance with the principles established in chapters XV and XVI of the aforementioned legal document, comprising: Management Report on the corporate activities and main administrative facts that took place during the Fiscal Year and proposed distribution of dividends, Independent Auditors' Report, Balance Sheet, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Shareholders' Equity, Statements of Cash Flows, Statements of Added Value, accompanied by Explanatory Notes.

Based on the examinations performed, the additional clarifications provided by the Executive Board, the approval by the Board of Directors, and the Independent Auditors' Report, this Council expresses the opinion that the referred documents are suitable to be submitted to the General Shareholders' Meeting for deliberation.

It is the Opinion.

São Paulo, March 17, 2021.

Cassiano Quevedo R. de Ávila

David Polessi de Moraes

Luiz Alberto Meirelles B. B. Junior

Nanci Cortazzo Mendes Galuzio

Antonio José Imbassahy da Silva

6. INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS, DIRECTORS AND OFFICERS OF EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE
SÃO PAULO - SP**

Opinion

We have audited the individual and consolidated financial statements of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE, identified as the parent company and consolidated, respectively, which comprise the statement of financial position as at 31 de dezembro de 2020, and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the corresponding explanatory notes, including a summary of the significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above, when considered in conjunction with the accompanying notes, present fairly, in all material respects, the financial position of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE as at December 31, 2020, the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil, and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary, in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Federal Accounting Council, and we have fulfilled all 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.

Emphasis of matter

Concession reversible asset

We point out to Note 11, which states that the individual and consolidated balance sheets show in the reversible assets account of the concession, in the Long-Term Assets - Non-Current Assets, the amount of R\$ 195,374,000, referring to the

investments to be indemnified by the Granting Authority (ANEEL), which have been calculated by the Company based on the residual value. The referred amount is pending approval and will be established after the inspection and determination of the "New Replacement Value - NRV" by ANEEL. Our opinion is not qualified in relation to this matter.

Material Fact

We call your attention to Explanatory Note 1, EMAE - Empresa Metropolitana de Águas e Energia S.A. ("EMAE" or "Company" - B3: EMAE3 and EMAE4), in compliance with the provisions of article 157, paragraph 4 of Law 6,404/76 and CVM Instruction 358/02, hereby informs its shareholders and the market in general that at a meeting held on September 29, 2020, the Managing Council of the State Privatization Program (CDPED), established by State Law No. 9,361 of July 5, 1996, resolved to recommend to the Governor of the State of São Paulo to authorize the Finance and Planning Department to contract studies and services necessary for the sale of EMAE's shares held by the State Public Administration, under the terms of article 5 of the aforementioned State Law. The Company will keep the market informed on the developments of the subject matter of this material fact. Our opinion does not contain any modification related to this matter.

Key audit matters

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

Benefit plans

As mentioned in Note 15, EMAE is the sponsor of retirement and pension benefit plans for its employees, former employees and respective beneficiaries, with the purpose of supplementing the benefits provided by the official social security system. VIVEST (current name of the CESP Foundation) is the entity responsible for the administration of the benefit plans sponsored by the Company. In 2020, after reviewing the assumptions used in the actuarial plan and following the principles of CPC 33 (R1) "Benefits to Employees" the plan's provision showed a substantial increase in the amount of R\$ 290,763,000, caused by the decrease in the discount rate of future benefits to be disbursed by the plans, and the growth in the value of these benefits, indexed to the IGP-DI, which had a strong mismatch in relation to other inflation indexes and in relation to the yields earned by the plan's investments. In the actuarial evaluation of the plan, the projected unit credit method was adopted. The net assets of the benefit plan are valued at market values (mark-to-market).

How our audit addressed this matter

Our audit procedures involved, but were not limited to: understanding and evaluation of the procedures adopted by the Company, with the support of our actuarial experts; controls over Management's review of the significant assumptions underlying the methodology used by the Company's actuary, we have read the plan's regulations to confirm the sponsor's percentage of responsibility, and we have attained access to evidence that demonstrates that the actions to compensate the actuarial result as determined by the plan are in compliance with the system of equal responsibility between the sponsor and the participants as required. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Asset impairment analysis of non-financial assets

As disclosed in Notes 3.13, 11 and 13, on August 1, 2018, MME made available the assets of UHE Edgard de Souza to EMAE in the amount of R\$ 59,667,000, being recorded since then in the Company's property, plant and equipment in progress. In view of the return of the asset to EMAE, Management performed an impairment test, by using discounted cash flows based on the following assumptions: (i) attainment of the authorization for remotorization of the plant; (ii) authorization for a 30-year term; (iii) quantity and sale price of a portion of the energy generated contracted in the regulated environment; and (iv) the surplus energy sold in the short-term market. The cash flows were estimated for a concession period and discounted at the pre-tax discount rate ranging from 7.2% p.a. to 8.5% p.a. for the projection period. In 2020, Management reassessed the assumptions and has not identified any changes in its projections. Therefore, it concluded that there is no need to record an estimated impairment loss for the year ended December 31, 2020.

How our audit addressed this matter

Our audit procedures involved, but were not limited to: the evaluation and analysis regarding the review of the assumptions made in relation to the impairment test of these assets, according to the assumptions highlighted in this paragraph (Note 13 i). We considered that the assumptions and evaluation methodology adopted are acceptable, considering the practices used in the market, within the context of the financial statements. Additionally, we assessed the integrity of the information used and the adequacy of the disclosures.

Other obligations – GAM Improvements

As mentioned in Note 18, the Company recorded a provision for investments in the quota-holding plants, as per the obligations set forth in the 2nd Amendment to the Concession Agreement and Submodule Proret 12.1 - Tariff Regulation Procedures issued by ANEEL - Agência Nacional de Energia Elétrica (Brazilian Electricity Regulatory Agency), in accordance with the criteria and definitions set forth in CPC 25 - Provisions, Contingent Liabilities, and Contingent Assets. During the 2020 fiscal year, the Investment Plan initially created in 2018, was revised and

produced a reversal in the amount of R\$ 142,106,000. Based on the investment plan, prepared, estimated and recognized on a straight-line basis until the end of the concession, the Company holds the amount of R\$ 38,200,000 and R\$ 166,275,000 in Current and Non-Current Liabilities, respectively, in the year ended December 31, 2020. Between January 1, 2013 and December 31, 2020, the Company invested an amount of R\$ 117,767,000, seeking the modernization, efficiency and reduction of risks related to energy production. As established by law, the amount already invested and provisioned should be amortized on a straight-line basis until the end of the concession, since the economic benefits arising from the correct investment of resources shall produce a return (cash flows) by November 30, 2042.

How our audit addressed this matter

Our audit procedures involved, but were not limited to: evaluation and conciliation of the analytical registers with the registered position, evaluation of the criteria, estimates and detailing of the investment plan and inspection of supporting documents, mathematical recalculation of the referred provision, considering the drag effect, test on the relevant controls related to the calculation of the provision, which include the integrity of the databases, underlying systems, processing, registration and disclosure.

Other matters

Audit of amounts corresponding to prior periods.

The balance sheet for the year ended December 31, 2019, presented for the purpose of comparison, was previously audited by other independent auditors who delivered a report dated March 5, 2020, with an opinion containing no changes concerning the individual and consolidated financial statements.

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Management for EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the individual and consolidated financial statements of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE. To form our opinion, we evaluated whether these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria set out by CPC 09 NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the aforementioned Accounting Pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

The Management of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE is responsible for the other information which comprises the Management Report.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to review the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements, or with our knowledge gained during the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and governance for the individual and consolidated financial statements

The Management of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE 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 the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as well as the internal controls that it deemed to be 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 capacity of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE to continue operating, disclosing, as applicable, matters related to its ongoing operations, and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary, or to discontinue its operations, or does not have any realistic alternative but to do so.

Those responsible for the governance of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary are those with responsibility for overseeing the process of preparing the individual and consolidated financial statements.

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free 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 individual and consolidated financial statements.

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of the internal control relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary.
- Evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to include a modification in our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE and its subsidiary to no longer continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and

consolidated financial statements fairly represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the Group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group Audit, and consequently for the audit opinion.

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

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

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

São Paulo, March 8, 2021.

RUSSELL BEDFORD BRASIL
AUDITORES INDEPENDENTES S/S
2 CRC RS 5.460/O-0 "T" SP

ROGER MACIEL DE OLIVEIRA
Accountant 1 CRC RS 71.505/O-3 "T" SP
Responsible Technical Partner

7. EXECUTIVE OFFICERS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

In compliance with the provisions in items V and VI of article 25 of the Brazilian Securities & Exchange Commission (CVM) Instruction No. 480, of December 7, 2009, the Executive Officers of EMAE - Empresa Metropolitana de Águas e Energia S.A., a mixed joint stock, publicly-held corporation, with headquarters at Avenida Jornalista Roberto Marinho, n° 85, 16° andar, Bairro de Cidade Monções, in the city of São Paulo, state of São Paulo, registered at the Corporate Taxpayer Registry (CNPJ) under No. 02.302.101/0001-42, hereby stated that:

(i) They have reviewed, discussed and agree with EMAE's Financial Statements for the fiscal year ended December 31, 2020; and (ii) They have reviewed, discussed and agree with the opinions expressed in the report issued by Russell Bedford Brasil Auditores Independentes S/S, regarding EMAE's Financial Statements for the fiscal year ended December 31, 2020.