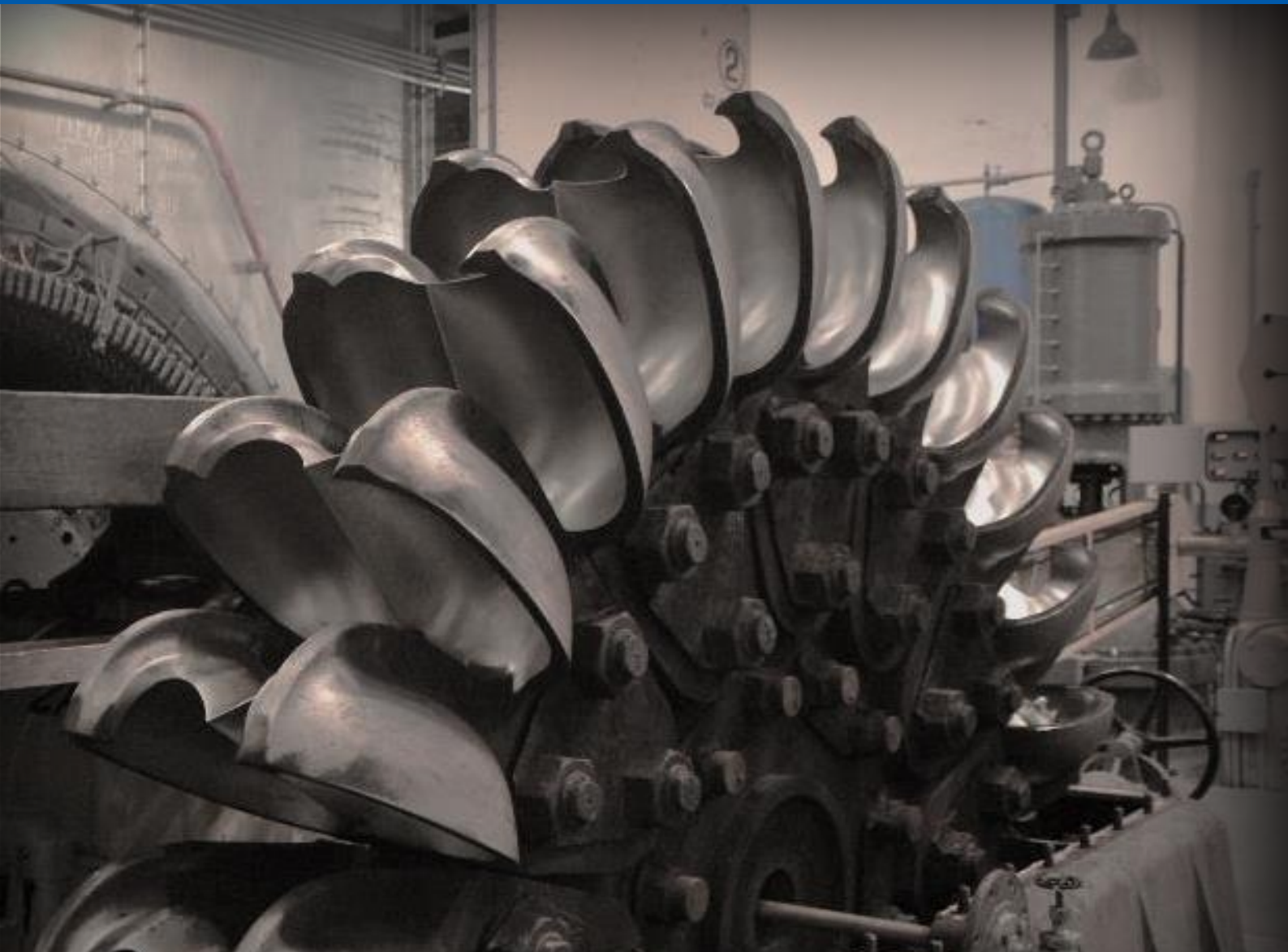




EMAe – EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A.



**MANAGEMENT REPORT, ANNUAL GOVERNANCE REPORT
AND FINANCIAL STATEMENTS**

2021

Henry Borden Plant | Pelton Turbine | #2



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 appraisal the Management Report, the Annual Governance Report, the Company's Financial Statements, accompanied by the Independent Auditors' Report, for the year ended December 31, 2021.

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

The year 2021 was another cycle focused on sustainable development at EMAE - Empresa Metropolitana de Águas e Energia S.A. The vocation for energy generation from renewable sources has been reinforced, with the formation of partnerships for the installation of floating photovoltaic power generation plants on the Billings reservoir. Selected by means of a public call at the end of 2020, the partner companies are expected to install plants with a total power of up to 90 MW, and to supply clean, renewable energy directly to the grid, in the form of distributed generation. Also in 2021, a new call was published to select partners interested in installing more photovoltaic generation systems in this reservoir. These projects contribute to the decarbonization of the energy matrix of the State of São Paulo, thus avoiding the use of sources that generate greenhouse gas (GHG) emissions.

The Company's generation complex has also been undergoing a renovation process, with massive investments in recovery and modernization of equipment. In 2021 alone, R\$ 96.3 million were invested, and in the coming years the plants under EMAE's management will benefit from even more improvements. The investments focus on technological upgrading, aimed at increasing the reliability and availability of the equipment, thus providing more flexibility and safety to the Company's operations. This year, we have also delivered the Novo Rio Pinheiros transformer substation, at the São Paulo Plant, which provided a better use of space, reduced maintenance costs, and respect for the environment, with the use of vegetable oil in its transformers.

EMA E has been working to positively impact the regions where it operates. In the capital, it has actively contributed to the recovery process of the Pinheiros River and its surroundings, within the New Pinheiros River Program. The results can already be seen by the population, which has been moving closer to this important body of water, mainly through the bike paths installed along its banks. The river is visibly cleaner, with the water surface practically free of trash, and presenting a noticeable reduction in odor. The de-silting has provided more efficiency in flood control, and recreational facilities are being expanded, with the implementation of the Bruno Covas Park. The landscaping on the banks has been making the place more beautiful and pleasant every day.



We sponsor cultural initiatives, by supporting the reopening of the "Museu da Língua Portuguesa" (Portuguese Language Museum), the exhibitions at the "Museu da Imagem e do Som" (Image and Sound Museum), the Cine Marquise, and improving the quality of life of the population, especially those who are connected with the Pinheiros River, by means of social projects, such as the creation of a Citizenship Square at Vila da Paz, and the support to activities at the Jardim Panorama Square.

The restructuring of the Company's capital, together with the continuous improvements in financial management, made it possible to maintain positive results, recording a net income of R\$ 149.9 million, and the most substantial distribution of dividends to shareholders in EMAE's history.

Finally, we cannot fail to highlight the care for our employees. In another year marked by the Covid-19 pandemic, our efforts have been focused on preventing the spread of the disease among our workforce. Social distancing measures, work protocols, as well as clarification and awareness campaigns, have been the main tools used in the preservation of the teams' health, resulting in low rates of sick leave.

The projects carried out, the results achieved, in addition to the outlook for the future, bring us the satisfaction of being able to count on such engaged teams, and the pride of feeling that we are on the right track, lifting the Company to a new level of reference in the electric sector.

MARCIO REA
CHIEF EXECUTIVE OFFICER

PABLO UHART
CHIEF FINANCIAL AND
INVESTOR RELATIONS OFFICER

2. MANAGEMENT REPORT AND ANNUAL CORPORATE GOVERNANCE REPORT

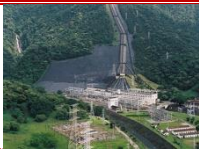




2.1. Activities

Overview

EMAIE 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 Côes	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
	SHP Pirapora	Pirapora do Bom Jesus, SP	25.0	17.17	06/24/2008	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

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In addition to the generating complex, the Company runs a hydraulic system comprised 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 maintenance schedule for 2021 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.

In line with the Company's vocation to explore and develop alternative and sustainable sources for the generation of electric energy, two consortiums have been formed with private companies, for the installation of floating photovoltaic generation plants on the Billings reservoir, with an installed capacity of up to 90MW.

Another relevant project developed by EMAE is the motorization for hydroelectric use of the Edgard de Souza dam, in Santana do Parnaíba, SP. In 2021, the record of adequacy of the executive summary of the hydraulic potential was obtained, considering the project of 11,960 kW of installed power. As a result, the Company can move on to the next stages of the project, which involve the granting of environmental licensing, and the allocation of water resources for the implementation of the SHPP.

Among the other achievements of the year, the following stand out:

- A record payment of R\$ 287.8 million in dividends to shareholders: R\$ 251.6 million paid in the first half (1H21), referring to previous years, and R\$ 36.2 million as interest on capital, paid in the second half (2H21), referring to the FY 2021;
- Pumping Station São Paulo - start-up of the new gas-powered compact substation, to replace the old equipment installed.
- Henry Borden Power Plant - within the modernization process of the Complex, the following was carried out: (i) installation of the first transformers with biodegradable vegetable oil, providing better thermal characteristics and a longer useful life for the equipment; (ii) substitution of Pelton turbine rotors, providing greater reliability, a significant reduction in inspection hours and a gain in turbine yield;
- PSHP Pirapora - full and early repayment of the loan taken with BNDES - Banco Nacional de Desenvolvimento Econômico e Social to finance the construction of the SHP Pirapora. The maturity was originally scheduled for September 2030, and the only bank debt recorded in the Company's consolidated information was in 2020. The amount paid to settle the loan was R\$ 65.3 million, and
- Dam Safety: In 2021, the Emergency Plans for the Guarapiranga and Rio Grande Dams, in the state of São Paulo, were implemented.

Research & Development

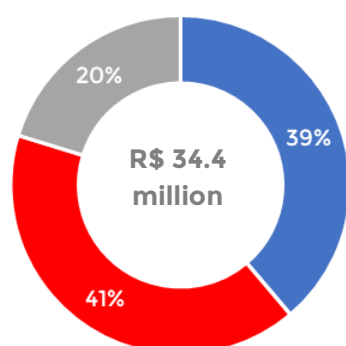
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From the total net operating revenues, 1% is allocated to research and development within the electric sector, as determined by the legislation in effect (Law 9991/00, as amended).

In FY 2021, R\$1.1 million was earmarked for R&D program projects. We also concluded the project that developed a hydro-environmental monitoring platform, and proceeded with 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.21



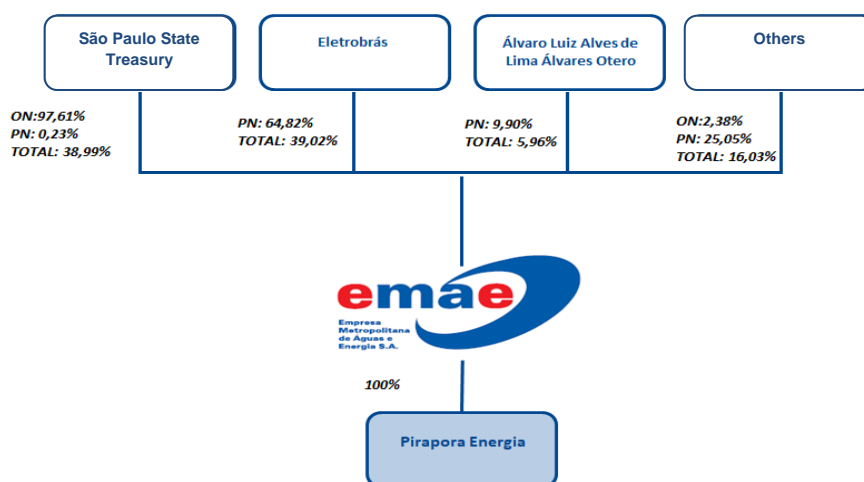
■ EMAE Projects ■ FNDCT* e CDE ■ Ministry of Mines and Energy

* FNDCT - Brazilian Fund for Scientific and Technological Development of FINEP - Financing Agency for Studies and Projects



2.2.Shareholding Structure

EMA E is a mixed joint stock, publicly-held corporation, with shares 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). 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

Net Operating Revenues in 2021 came to R\$ 529.0 million, up by 18.3% from the R\$ 447.1 million reported in 2020. The R\$ 81.9 million increase mainly derives from the construction of concession assets, in addition to R\$ 13.5 million from the adjustment in the value of the electric energy quotas. Also noteworthy are the short-term revenues that added R\$ 8.9 million to the revenues of the wholly-owned subsidiary Pirapora Energia S.A.

Cost of energy supply

The costs of electric energy supply in 2021 amounted to R\$ 384.1 million, representing a 73.8% increase in relation to the R\$ 221.0 million recorded in 2020. Disregarding the effect of the accounts related to the investments in the concession, the main item that showed an increase in the period was the expenses with complementary pension funds, totaling R\$ 31.7 million. The complementary pension plan, sponsored by EMAE, was adversely affected by the economy, still recovering from the impacts caused by the Covid-19 pandemic, especially the result of the investments, which rose by 6.11% compared to the actuarial target of 24.46%. The increase in legal provisions (labor, civil and tax) also contributed to the increase in costs, which rose to R\$ 27.8 million in 2021 from R\$ 16.6 million in 2020.

On the other hand, other relevant items of the cost of energy supply compensated the impact of the above-mentioned increase, such as: (i) R\$ 20.3 million in credits related to PIS/COFINS; (ii) reduction of 52% in the charge named CFURH - Financial Compensation for the Use of Hydraulic Resources: (i) R\$ 20.3 million of credits related to PIS/COFINS; (ii) a 52% reduction in the charge denominated CFURH - Financial Compensation for the Use of Hydraulic Resources, R\$ 7.1 million in 2021 versus R\$ 3.4 million in 2020.



General and administrative expenses

In 2021, total operating expenses stood at R\$ 93.3 million, up by 15.3% from the R\$ 80.9 million reported in 2020. The growth reflects the increase in expenses with personnel and outsourced services. By contrast, in 2021, there was a reduction in expenses with rents, materials and depreciation when compared with 2020.

Financial Result

In 2021, EMAE reached a net financial income of R\$ 134.0 million, representing a 4.7% increase over the financial income of R\$ 127.9 million in the previous year, due to the simultaneous reduction in financial expenses, coupled with an increase in the positive net balance of monetary variations.

The monetary variations totaled R\$ 104.8 million in 2021, representing an increase of 3.9% in relation to the previous period. These variations mainly arise from the update in the agreement with Petrobras/BSE, for the lease of Piratininga Thermoelectric Plant - UTP, and in the agreement with SABESP, which use, respectively, IGPM and IPCA as adjustment indexes.

During the first quarter, the Company performed a capital increase in its wholly-owned subsidiary, for the amount of R\$ 64 million, and this subsidiary settled, with BNDES, the only bank debt, thus reducing financial expenses.

Even when taking into account the payment of R\$ 221.6 million in dividends in January, and the capital increase in the subsidiary, the cash generation during the year, combined with the acceleration of the SELIC rate, contributed to a financial income of R\$ 31.7 million in 2021.

Net income

Considering the impacts from the increase in costs, the provision for investments in concession assets, and the monetary correction of the lease contract and Sabesp's financial assets, the operating earnings before income tax and social contribution reached R\$ 190.1 million in 2021, down 29.8% from the previous year.

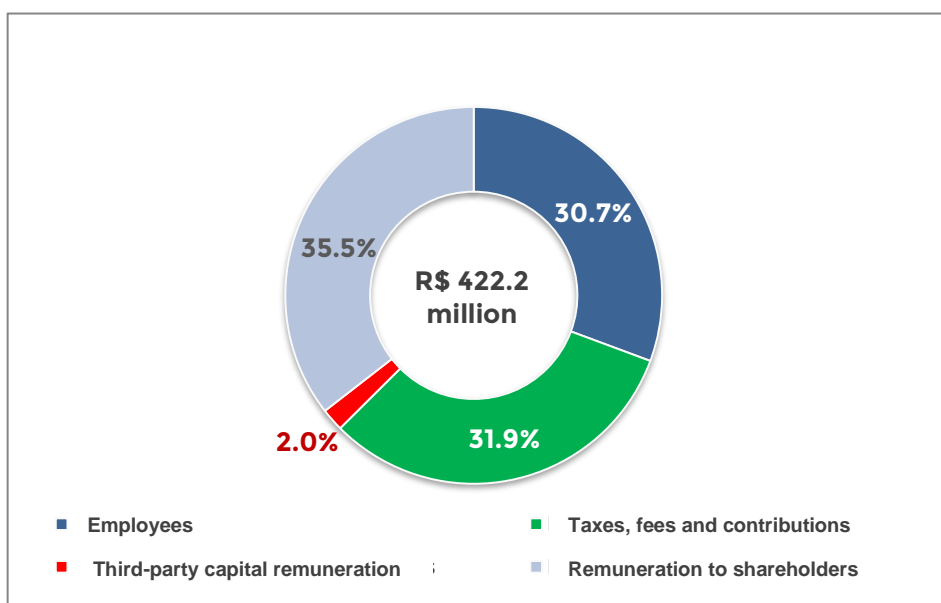
After Income Tax and Social Contribution, EMAE closed the fiscal year with a net income of R\$ 149.9 million, with a net margin of 28.3%, reductions of 36.2% and 16%, respectively, when compared to the 2020 figures.

Debt and Net Cash

As mentioned above, the only debt in the Company's consolidated accounts has been fully paid in advance by the subsidiary Pirapora Energia S.A. At the close of fiscal year 2021, cash and cash equivalents came to R\$ 311 million, versus R\$ 518.7 million as at December 31, 2020.

As a result, the Company's net debt position remains positive (net cash) at R\$ 311 million at the end of 2021, as compared to a positive net balance of R\$ 452.4 million in the previous year.

Distribution of Added Value





EBITDA

EMA E's adjusted EBITDA generation totaled R\$ 142.6 million in 2021, down 5.8% from R\$ 151.4 million in 2020, with an EBITDA margin of 27%, versus 33.9% in 2020.

	2021	2020	Δ% YEAR
Net operating revenues	529.0	447.1	18.3%
Cost	-384.1	-221.0	73.8%
Operating expenses	-93.3	-80.9	15.3%
Depreciation and amortization	5.7	6.0	-5.0%
Provision for investments in the Concession	85.2	0.2	-
Adjusted EBITDA*	142.6	151.4	-5.8%
Adjusted EBITDA Margin *	27.0%	33.9%	-6.9 p.p

* The adjustments used in the index refer to the exclusion of the provision amounts for investments in the concession, as well as other income and expenses.

Capital Markets

The Company's subscribed and paid-up capital amounted to R\$ 285.4 million, as at December 31, 2021, which comprises 22,241,714 preferred shares (EMA E4) and 14,705,370 common shares (EMA E3). The State of São Paulo is the controlling shareholder, with 97.6% of the common shares, and 0.2% of the preferred shares. In 2021, the Company base consisted of 30,573 shareholders.

The price per share of EMA E preferred shares (EMA E4) closed the year at R\$ 75.99.



Remuneration to shareholders

In 2021, EMAE distributed record remuneration to shareholders, in the total gross amount of R\$ 287.8 million, equivalent to R\$ 7.35 per common share and R\$ 8.07 per preferred share:

- R\$ 221.6 million in the form of dividends, through the partial reversal of the balance of the earnings reserve from previous years, which is equivalent to R\$ 5.66 per common share and R\$ 6.22 per preferred share, paid on January 29, 2021.
- R\$ 30.0 million, corresponding to the balance of the mandatory dividend for fiscal year 2020, corresponding to the net amount of R\$ 0.77 per common share and R\$ 0.84 per preferred share, paid on May 21, 2021;
- R\$ 16.8 million in the form of Interest on Equity (IOE), corresponding to the net amount of R\$ 0.43 per common share and R\$ 0.47 per preferred share, paid on June 30, 2021, which will be imputed to the minimum mandatory dividend for 2021, to be approved at the Annual General Shareholders' Meeting of 2022; and
- R\$ 19.4 million in the form of IOE, equivalent to the net amount of R\$ 0.49 per common share and R\$ 0.54 per preferred share, paid on December 29, 2021. This amount will be imputed to the minimum mandatory dividend for the year 2021, to be approved at the 2022 Annual General Shareholders' Meeting.

Management proposes the constitution of a Legal Reserve in the amount of R\$ 7.5 million; a minimum mandatory dividend of R\$ 35.6 million; realization of the Unrealized Income Reserve in the amount of R\$ 7.1 million, which will be added to the mandatory dividend; an additional dividend proposed of R\$ 4.86 million, corresponding to the portion of withholding income tax (IRRF) on the IOE paid. Constitution of a contingency reserve in the amount of R\$ 101.4 million, intended for the partial coverage of the actuarial deficit of the pension plan, which amounted to R\$ 259.5 million on December 31, 2021, and with a view to offsetting any decrease in earnings in future years.



2.4. Operational Performance

Main Indicators

	2021	2020	Chg %
OPERATIONAL			
Installed capacity (MW)	960.8	960.8	-
Energy generated (MWh)	784,934	1,414,115	-44.5
ECONOMIC AND FINANCIAL(R\$ million)			
Net operating revenues	529.0	447.1	+18.3
Cost of generation and rendering of services	477.4	301.9	+58.13
Financial result	134.0	127.9	+4.8
Net income for the period	149.9	198.5	-24.5
EBITDA	142.6	151.4	-5.8%
EBITDA margin	27.0%	33.9%	-6.9 p.p.
Gross debt	0	66.4	-100.0
Earnings per share (R\$)	4.06	5.37	-24.5
SOCIAL			
Number of employees	430	446	-3.6
Net income per employee (R\$ million)	0.81	1.00	-19.0
Hours of training/employee	28.2	15.3	+84.3

EMA E'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 determines 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, EMA E 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 EMA E and its subsidiary total 960.8 MW of installed capacity, which accounts for 0.94% of Brazil's hydroelectric generating capacity¹.

¹ According to ANEEL, in 2021 the installed capacity in the country was 181,532.7 MW, and hydroelectric plants accounted for 56.20% of this total.

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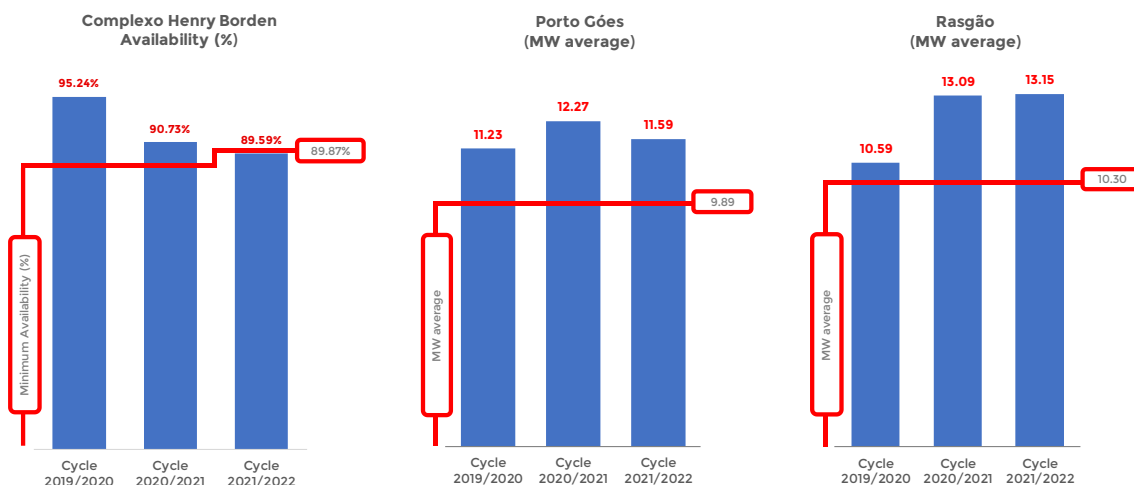
Generation quality standard

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.

EMA E has been continuously endeavoring to keep the performance indicators of its plants within regulatory parameters. This continued being a challenge in 2021, considering the pandemic situation and its repercussions, with the introduction of more stringent distancing and sanitary measures, as well as new working practices.

A EMA E atua permanentementeno sentido de manter os indicadores de desempenho de suas usinas dentro dos parâmetros regulatórios. This continued to be a challenge in 2021, especially in view of the continuing pandemic situation and its implications, with the maintenance of stricter social distancing measures among employees, along with new hygiene and work habits.

The Company has succeeded in fully meeting the standards set by ANEEL for the Porto Góes and Rasgão hydroelectric plants. However, as of March 2021, the minimum availability reference of the Henry Borden Complex was raised by ANEEL from 86.63% to 89.87%. Even with a stricter compliance with the reference index, Henry Borden's indicator remained practically in line with the new minimum availability reference, and this was primarily due to occasional stoppages during the commissioning of new equipment, which replaced other obsolete equipment.



In 2021, the subsidiary Pirapora produced 144,101,655 MWh, which corresponds to 16.45 MW on average for the year, a production 8.01% higher than the generation recorded in 2020, exceeding the minimum generation of 11.16 MW, established by ANEEL for the year.



2.5. Risk Management

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

As part of its commitment to the enhancement of its governance, risk, and compliance (GRC) practices, in December 2021, EMAE updated its Risk Management Policy, and reviewed the guidelines regarding the identification and management of corporate risks that may impact the business and the achievement of its strategies.

In 2021, in compliance with the requirements arising from the General Law of Data Protection (LGPD), the Registration of Personal Data Operations (ROPA) was implemented, the Confidentiality and Privacy Agreement, as well as procedures for the management of documents, inclusion of risk factors, and the creation of a Privacy Policy for Personal Data.

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.

Constituted in 2020, the Risk Management Executive Committee relies on all the executive officers in its composition, and provides advisory services to the Board of Directors. Its objective is to evaluate the monitoring and recommendations for improvement of the Company's process of monitoring and control of risks, in order to provide support to Management in the resources administration and assets protection, based on EMAE's strategic guidelines and risk profile.

Privacy Committee

Composed of representatives from all the Company's divisions, the Privacy Committee was created in 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 General Law of Data Protection (LGPD).



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 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.

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 soil on the banks of the dammed water and upstream of the dam.

Furthermore, in 2021, advances in terms of analysis and reporting were incorporated. The current standard adds greater reliability, ensuring the stability and safety conditions of the dams.

Furthermore, in 2021, the Company contracted a project for the structural reevaluation of all the dams in operation, with the purpose of increasing reliability with the diagnosis of the structures, thus ensuring the maintenance of their stability and safety conditions.

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 2021, the Emergency Plans for the Guarapiranga and Rio Grande Dams were implemented, relying on the actions of the communication programs with the population and training.



2.6. 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 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 is 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 2021, 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 conducting 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 the Company's good corporate governance, 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, such as, for example, the creation of the Personal Data Privacy Policy. The Risk Management and Related-Party Transactions policies have also been revised, in addition to the review of the Integrity Program and the Code of Conduct and Integrity. The Risk Management Executive Committee has remained active, providing advice to the Executive Board, the Audit Committee and the Board of Directors.



In 2021, the Company reviewed its portfolio of strategic risks, as well as uncertainties that may hinder EMAE in achieving its objectives. In this process, different categories were listed: (i) Governance and Compliance, (ii) Socio-environmental Leadership, (iii) Strategic Assets, and (iv) Technical Sectorial Knowledge. The risks are identified in the Reference Form, being the most critical those related to reputation, strategic management and business model, availability of capital, environmental accidents, information security, contract management, human and actuarial resources.

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 2021, in line with the search for continuous improvement in transparency and equality of information, accountability and responsibility, as mentioned above, the Integrity Program and the Code of Conduct and Integrity have been revised. In its 4th version, approved at the 392nd Board of Directors' Meeting, held on October 20, 2021, the Code is a conduct guideline, inspired by ethical principles, defining the concepts that guide the actions and commitments of institutional conduct in the interactions of EMAE, its subsidiaries, its employees and all who act on its behalf.

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 technical knowledge and the understanding about the Company; and (viii) individual self-assessment.

The outcome of the evaluation performed in 2021 classified that the performance - collegiate or individual - of the Managers met the legal and statutory expectations.

Independent Auditors - CVM Instruction 381/03

Since June 2020, the Company has relied on the external audit services provided by the company Russel Bedford Brasil Auditores Independentes S/S. In accordance with Brazilian standards for the preservation of the external auditor's independence, the contracted firm has not provided services other than those related to the examinations of the financial and regulatory accounting statements of EMAE and its wholly-owned subsidiary Pirapora Energia S.A.



2.7. Management Composition and Compensation

Composition of the 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 2021, its composition was as follows:

Name	Position
Luiz Carlos Lustre	Chairman
Eduardo de Freitas Teixeira	Independent Member
Theodoro de Almeida Pupo Jr.	Independent Member
Marcio Rea	Member elected by controlling shareholder
Rui de Brito Alvares Affonso	Member elected by controlling shareholder
Paulo Ferreira	Member elected by controlling shareholder
Sergio Ricardo Ciavolih Mota	Member elected by controlling shareholder
Rita Joyanovic	Member elected by controlling shareholder
Zevi Kann	Member elected by controlling shareholder
Roberto Brigido do Nascimento	Member elected by the preferred shareholders
Douglas Tadeu Llambias Caetano	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 2021 fiscal year, the Executive Board held 52 Board Meetings.

At the end of 2021, 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

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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 Capital 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 by 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 2021, the total amount of management compensation approved by the General Shareholders' Meeting, considering benefits and legal charges, came to R\$ 3.3 million, including the variable compensation of the Officers.



2.8. Environmental Responsibility

Environmental protection is a major concern for EMAE, and is embedded in its planning, and execution of all its 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.

EMAE has installed 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

3. STATEMENTS OF FINANCIAL POSITION

ASSETS

Balance sheets as at December 31, 2021 and 2020.

Amounts in thousands of Reais (R\$)

		Parent Company		Consolidated	
	Explanatory Notes	12.31.21	12.31.20	12.31.21	12.31.20
ASSETS					
CURRENT					
Cash and cash equivalents.....	4	299,308	507,702	311,072	518,714
Distributors.....	5	36,492	36,526	40,946	40,805
Indemnifiable financial assets.....	10	9,064	4,901	9,064	4,901
Recoverable income tax and social contribution.....		3,954	11,342	3,591	11,245
Offsetable taxes and social contributions.....		626	1,420	626	1,420
Inventories.....		1,847	1,865	1,847	1,865
Prepaid expenses.....		659	4,443	917	4,550
Lease TEP Piratininga.....	6	132,732	112,714	132,732	112,714
Financial asset - Sabesp.....	22.1	7,868	17,584	7,868	17,584
Guarantees and tied deposits.....	9	12,110	11,749	12,110	14,466
Other credits.....	7	3,786	8,083	3,440	3,616
		508,446	718,329	524,213	731,880
NON-CURRENT					
Long-term assets					
Lease UTE Piratininga.....	6	232,290	283,387	232,290	283,387
Financial asset - Sabesp.....	22.1	83,580	77,677	83,580	77,677
Deferred income tax and social contribution.....	8.2	124,665	48,052	124,665	48,052
Guarantees and tied deposits.....	9	32,040	25,329	32,040	25,329
Indemnifiable financial assets.....	10	202,073	112,866	202,073	112,866
Concession reversible asset.....	11	195,374	195,374	195,374	195,374
Investments.....	12	164,186	96,996	1,392	1,390
Property, plant and equipment.....	13	78,763	78,683	226,232	227,463
Intangible assets.....		10,547	7,730	10,738	7,999
		1,123,518	926,094	1,108,384	979,537
TOTAL ASSETS.....		1,631,964	1,644,423	1,632,597	1,711,417

The accompanying notes are an integral part of the financial statements

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LIABILITIES AND SHAREHOLDERS' EQUITY

Balance sheets as at December 31, 2021 and 2020.

Amounts in thousands of Reais (R\$)

		Parent Company		Consolidated	
	Explanatory Notes	12.31.21	12.31.20	12.31.21	12.31.20
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Suppliers.....		6,225	4,192	6,713	4,656
Loans and financing.....	14	-	-	-	66,361
Payroll.....	15	4,724	4,593	4,724	4,593
Estimated obligations - payroll.....	15	12,335	15,982	12,335	15,982
Pension plan to employees.....	16	56,890	31,744	56,890	31,744
Income tax and social contribution.....		6,573	5,562	6,711	5,718
Dividends and Interest on equity.....	23.7	9,138	237,990	9,138	237,990
Guarantees and tied deposits.....		11,639	11,288	11,639	11,288
Charges for the use of the electric grid.....		171	196	171	196
Other obligations - Investments in the concession.....	19	9,064	38,200	9,064	38,200
Other obligations - Comgás.....	20	502	481	502	481
Special obligations - RGR.....	18	1,801	1,801	1,801	1,801
Sectorial Obligations.....		2,647	4,477	2,654	4,490
Other liabilities.....		6,836	10,071	6,836	10,071
		128,545	366,577	129,178	433,571
NON-CURRENT LIABILITIES					
Long-term liabilities					
Pension plan to employees.....	16	395,592	308,005	395,592	308,005
Provisions for labor, civil and tax risks	17	77,853	65,291	77,853	65,291
Other obligations - Investments in the concession.....	19	274,347	166,275	274,347	166,275
Other obligations - Comgás.....	20	9,924	9,993	9,924	9,993
Special obligations - RGR.....	18	7,200	9,000	7,200	9,000
Sectorial Obligations.....		769	769	769	769
		765,685	559,333	765,685	559,333
SHAREHOLDERS' EQUITY					
Share capital.....	23	285,411	285,411	285,411	285,411
Capital reserves.....		387,130	387,130	387,130	387,130
Other comprehensive income.....		(259,534)	(186,123)	(259,534)	(186,123)
Earnings reserves.....	23.5	319,867	218,095	319,867	218,095
Additional dividends proposed.....		4,860	14,000	4,860	14,000
		737,734	718,513	737,734	718,513
TOTAL LIABILITIES AND EQUITY.....		1,631,964	1,644,423	1,632,597	1,711,417

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF INCOME

Amounts in thousands of Reais (R\$), except for earnings per share

	Explanatory Notes	Parent Company		Consolidated	
		2021	2020	2021	2020
NET REVENUES.....	24	483,712	414,106	529,024	447,131
COST OF ENERGY SUPPLY.....	25	(369,291)	(211,179)	(384,112)	(221,012)
GROSS PROFIT.....		114,421	202,927	144,912	226,119
Operating income/expenses					
General and administrative expenses.....	25	(93,195)	(80,761)	(93,290)	(80,897)
Other income and (expenses).....	25	4,509	(1,877)	4,509	(2,108)
Equity in earnings of non-controlled companies.....	12	27,936	17,354	-	-
		(60,750)	(65,284)	(88,781)	(83,005)
INCOME BEFORE FINANCIAL RESULT.....		53,671	137,643	56,131	143,114
FINANCIAL RESULT AND TAXES					
Income.....	26	30,827	32,038	31,684	32,542
Expenses.....	26	(909)	(798)	(2,510)	(5,462)
Net monetary variations.....	26	104,825	100,852	104,825	100,852
		134,743	132,092	133,999	127,932
EARNINGS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION.....		188,414	269,735	190,130	271,046
INCOME TAX AND SOCIAL CONTRIBUTION					
Current.....	8.1, 8.2	(77,291)	(52,674)	(79,007)	(53,985)
Deferred.....	8.1, 8.2	38,795	(18,576)	38,795	(18,576)
NET INCOME FOR THE YEAR.....	23.3	149,918	198,485	149,918	198,485
EARNINGS ATTRIBUTABLE TO					
Controlling and non-controlling shareholders.....		149,918	198,485	149,918	198,485
BASIC AND DILUTED EARNINGS PER:					
Preferred share (R\$).....	23.2	R\$ 4.20997	R\$ 5.57381	R\$ 4.20997	R\$ 5.57381
Common share (R\$).....	23.2	R\$ 3.82725	R\$ 5.06710	R\$ 3.82725	R\$ 5.06710

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021 AND 2020.

Amounts in thousands of Reais (R\$)

	Parent Company and Consolidated	
	2021	2020
Net income for the year.....	149,918	198,485
Items not to be reclassified to profit or loss in subsequent periods.....		
Actuarial valuation adjustment.....	(111,229)	(295,387)
Effect from income tax and social contribution.....	37,818	100,432
Total comprehensive income for the year.....	76,507	3,530

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021 AND 2020.

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	RESERVE FOR	GRANT REPURCHASE	RESERVE FOR CONTINGENCIES	UNREALIZED PROFIT RESERVE	RETAINED EARNINGS RESERVE			
Balance as at January 1, 2020.....	285,411	383,618	3,512	8,832	20,960	150,895	72,331		49,644	15,022	-	-	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)
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)
Asset Recomposition.....	-	-	-	-	-	127,421	-		-	-	-	(127,421)	-
Additional dividend proposed.....	-	-	-	-	-	-	-		-	-	14,000	(14,000)	-
Mandatory Dividend (and interest on equity).....	-	-	-	-	-	-	-		-	-	-	(47,140)	(47,140)
Balance as at December 31, 2020.....	285,411	383,618	3,512	(186,123)	30,884	144,076	-	-	43,135	-	14,000	-	718,513
Approval of proposed additional dividend - calendar year 2020.....	-	-	-	-	-	-	-		-	-	(14,000)	-	(14,000)
Actuarial gains and losses net of tax effect.....	-	-	-	(73,411)	-	-	-		-	-	-	-	(73,411)
Net income for the period.....	-	-	-	-	-	-	-		-	-	-	149,918	149,918
Legal reserve constitution.....	-	-	-	-	7,496	-	-		-	-	-	(7,496)	-
Mandatory Dividend (and interest on equity).....	-	-	-	-	-	-	-		-	-	-	(36,171)	(36,171)
Constitution of reserve for contingencies.....	-	-	-	-	-	-	-	101,391	-	-	-	(101,391)	-
Additional dividend proposed.....	-	-	-	-	-	-	-		-	-	4,860	(4,860)	-
Realization of unrealized earnings reserve.....	-	-	-	-	-	-	-		(7,115)	-	-	-	(7,115)
Balance as at December 31, 2021.....	285,411	383,618	3,512	(259,534)	38,380	144,076	-	101,391	36,020	-	4,860	-	737,734

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STATEMENTS OF CASH FLOW (INDIRECT METHOD)

Fiscal years ended December 31, 2021 and 2020.

Amounts in thousands of reais (R\$)

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Operating activities				
Net income for the year.....	149,918	198,485	149,918	198,485
Equity in earnings of non-controlled companies.....	(27,936)	(17,354)	-	-
Depreciation and amortization.....	1,490	1,836	5,746	5,999
Adjustment to fair value Miguel Yunes.....	(10,953)	-	(10,953)	-
Pension plan expenses.....	31,744	2,935	31,744	2,935
Allowance for doubtful accounts.....	807	542	807	542
Provisions for labor, civil and tax risks.....	27,796	16,636	27,796	16,636
Deferred taxes.....	35,235	77,288	36,500	78,456
Settlement Comgás.....	(486)	-	(486)	-
Interest on financing.....	-	-	1,600	4,652
Gain from the sale of assets and rights.....	(295)	-	(295)	-
Provision - Investments in the Concession.....	85,233	208	85,233	208
Update of tied deposits.....	(896)	(416)	(896)	(416)
Write-offs.....	1,683	-	1,683	-
Interest and monetary variations Sabesp agreement.....	(15,396)	(11,042)	(15,396)	(11,042)
Interest and monetary variations of the UTP Piratininga lease.....	(106,561)	(110,821)	(106,561)	(110,821)
Changes in assets and liabilities				
Distributors.....	34	(2,757)	(141)	(2,826)
Offsetable taxes and social contributions.....	145	(221)	145	(221)
Recoverable income tax and social contribution.....	3,321	(12,137)	3,587	(11,865)
Services - Canal Pinheiros.....	-	(53)	-	(53)
Inventories.....	18	(256)	18	(256)
Prepaid expenses.....	3,784	(1,513)	3,633	(1,550)
Guarantees and tied deposits	(6,176)	(10,867)	(3,459)	(10,641)
Sabesp.....	19,209	17,813	19,209	17,813
Other credits.....	(632)	1,714	(632)	2,379
Suppliers.....	2,033	(221)	2,057	29
Payroll.....	131	1,336	131	1,336
Estimated obligations - payroll.....	(3,647)	1,491	(3,647)	1,491
Contributions to pension plan.....	(30,241)	(7,559)	(30,241)	(7,559)
Income tax and social contribution.....	1,011	93	993	42
Regulatory charges.....	(1,830)	(1,962)	(1,836)	(1,955)
Payment of civil and labor contingencies.....	(15,234)	(9,510)	(15,234)	(9,510)
Charges for the use of the electric grid.....	(25)	13	(25)	(9)
Tied deposits.....	351	193	351	193
Obligation COMGAS.....	438	10,474	438	10,474
Special obligations - RGR.....	(1,800)	(1,801)	(1,800)	(1,801)
Others.....	(3,235)	8,478	(3,235)	8,478
	139,038	151,045	176,752	179,623
Interest on financing paid.....	-	-	(1,784)	(4,688)
Dividends received.....	28,870	17,613	-	-
Income tax and social contribution paid.....	(74,030)	(58,713)	(75,295)	(59,881)
Net cash provided by (used in) operating activities	93,878	109,945	99,673	115,054
Investing activities				
Acquisition of property, plant and equipment.....	(1,122)	(7,299)	(3,988)	(10,074)
Indemnifiable financial assets.....	(99,667)	(29,128)	(99,667)	(29,128)
Acquisition of intangibles.....	(3,503)	(3,146)	(3,503)	(3,146)
Indemnity Miguel Yunes.....	10,959	-	10,959	-
Financial lease receipt.....	137,640	100,438	137,640	100,438
Proceeds from sale of fixed assets.....	295	-	295	-
Capital increase in subsidiary.....	(64,000)	-	-	-
Net cash generated from (used in) investing activities	(19,398)	60,865	41,736	58,090
Financing activities				
Interest on equity and dividends paid.....	(282,874)	(60,565)	(282,874)	(60,565)
Loans and Financing.....	-	-	(66,177)	(6,787)
Net cash flow provided by financing activities	(282,874)	(60,565)	(349,051)	(67,352)
Net increase in cash and cash equivalents for the year	(208,394)	110,245	(207,642)	105,792
Opening balance of cash and cash equivalents.....	507,702	397,457	518,714	412,922
Closing balance of cash and cash equivalents.....	299,308	507,702	311,072	518,714
Net increase in cash and cash equivalents	(208,394)	110,245	(207,642)	105,792

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STATEMENTS OF ADDED VALUE

Fiscal years ended December 31, 2021 and 2020.

Amounts in thousands of Reais (R\$)

	Parent Company		Consolidated	
	2021	2020	2021	2020
GENERATION OF ADDED VALUE				
Revenues				
Operating revenues.....	456,293	443,627	503,322	478,031
Other income.....	4,509	(1,876)	4,509	(2,107)
Allowance for doubtful accounts - constitutions.....	3,915	(542)	3,915	(542)
Revenues related to the construction of own assets.....	93,438	37,415	96,278	41,299
	558,155	478,624	608,024	516,681
Less:				
Inputs				
GSF (physical guarantee).....	-	-	1,823	1,449
Charges for the use of the electric grid.....	45,601	41,290	45,908	41,557
Outsourced services.....	118,284	78,338	124,056	83,704
Materials	46,066	27,325	47,095	29,250
Provision - Investments in the Concession.....	85,232	208	85,232	208
Other operating costs.....	12,128	15,483	12,455	15,706
	307,311	162,644	316,569	171,874
GROSS ADDED VALUE	250,844	315,980	291,455	344,807
DEPRECIATION / AMORTIZATION	(1,490)	(1,836)	(5,746)	(6,000)
NET ADDED VALUE PRODUCED BY THE ENTITY	249,354	314,144	285,709	338,807
ADDED VALUE RECEIVED BY TRANSFER				
Financial income.....	30,827	32,038	31,684	32,542
Equity in earnings of non-controlled companies.....	27,936	17,354	-	-
Net monetary variations.....	104,825	100,852	104,825	100,852
	163,588	150,244	136,509	133,394
TOTAL VALUE ADDED TO BE DISTRIBUTED	412,942	464,388	422,218	472,201
DISTRIBUTION OF ADDED VALUE				
Employees:				
Salaries and benefits (except for INSS/FGTS).....	89,464	90,350	92,693	90,602
Pension plan entity for employees - Contribution to the plan.....	31,744	2,935	31,744	2,935
F.G.T.S.....	4,820	4,525	5,024	4,541
	126,028	97,810	129,461	98,078
Taxes, charges and contributions:				
Regulatory charges				
Financial compensation for the use of water resources.....	3,409	7,136	3,409	7,136
Inspection charge for the public electric power service.....	1,397	1,340	1,479	1,416
Research and Development - R&D.....	3,916	3,755	3,916	3,755
	8,722	12,231	8,804	12,307
Federal				
Income tax and social contribution.....	38,496	71,250	40,212	72,561
COFINS/PIS.....	56,788	51,987	58,505	53,366
INSS.....	17,255	16,612	17,970	16,668
	112,539	139,849	116,687	142,595
Municipal:				
ISS.....	691	746	691	746
IPTU.....	8,415	8,609	8,415	8,609
	9,106	9,355	9,106	9,355
	130,367	161,435	134,597	164,257
Remuneration of external capital				
Interest and debt charges.....	909	798	2,510	5,462
Rentals.....	5,720	5,860	5,732	5,919
	6,629	6,658	8,242	11,381
Remuneration of own capital				
Dividends and interest on equity.....	36,171	47,140	36,171	47,140
Retained earnings.....	113,747	151,345	113,747	151,345
Net income for the period.....	149,918	198,485	149,918	198,485
TOTAL DISTRIBUTION OF ADDED VALUE	412,942	464,388	422,218	472,201

The accompanying notes are an integral part of the financial statements

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3.1. Explanatory Notes

This section presents the Explanatory Notes to the Financial Statements for the years ended December 31, 2021 and 2020. The amounts are expressed in thousands of Brazilian Reais, unless indicated otherwise.

1. OPERATING CONTEXT

Empresa Metropolitana de Águas e Energia S.A. ("EMA E" 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 holders of preferred shares (PN), of special mention is Eletrobrás - Centrais Elétricas Brasileiras S.A, which showed a 64.82% share in this type of shares as at December 31, 2021.

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, EMA E's operations are regulated and supervised by the Brazilian Electric Energy Regulatory Agency (ANEEL), linked to the Ministry of Mines and Energy (MME).

Power plants concession under quota regime

EMA E operates the Henry Borden hydroelectric complex, which comprises the structures along the Pinheiros River, the reservoirs and respective dams, as well as control structures and spillways, Guarapiranga, Billings, and Rio das Pedras, in the Metropolitan Region of São Paulo, and the Henry Borden hydroelectric power plant, in the municipality of Cubatão, plus the Rasgão hydroelectric power plants, in the municipality of Pirapora do Bom Jesus, and Porto Góes, in the municipality of Salto, both on the Tietê River.

Under Provisional Measure No. 579 of 2012, converted into Law No. 12,783 on January 11, 2013, EMA E entered into 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 one of the Company's plants 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 down by ANEEL.

The Annual Revenue Generation (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 RAG amount started to take also into account the investments in improvements in each of the plant's 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 20, 2021, Homologatory Order No. 2902 was published, which ratified the Annual Generation Revenues from the hydroelectric plants under the quota regime for the 2021-2022 cycle, pursuant to the terms of Law No. 12783/2013, effective as of July 1, 2021 through June 30, 2022 (Note 29 b).

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

Pirapora, an EMAE's subsidiary, is a Specific Purpose Society, aimed at constructing and operating the Small Hydroelectric Plant (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 units 1 and 2, 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.

Nevertheless, following the enactment of the vetoed parts of Federal Law no. 14.120, of March 1, 2021, there has been the inclusion of §12 in art. 26 of Federal Law no. 9.427, of 1996, considering that the agent holding the authorization for electric power generation,



with a 30 (thirty)-year term, whose plant is operating as of September 1, 2020, and that has not been subject to any type of penalty imposed by Aneel regarding compliance with the implementation schedule, shall have its authorization term counted as of the declaration of the commercial operation of the first generating unit, with adjustment, if applicable, of the respective granting instrument.

Considering that it is Pirapora's understanding that this Law extends the authorization to match the end of the commercialization agreement executed within the regulated environment, an adjustment of the concession term has been requested, and the Regulatory Agency's position is awaited.

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, in accordance with a cost-sharing agreement.

Expansion of Thermal Source

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 intended for 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.

On July 24, 2019, the State Environmental Committee (CONSEMA) endorsed the environmental feasibility of the enterprise "Technological Upgrades of units 1 and 2 of the Piratininga Thermoelectric TEP-STP Plant".

CONSEMA's approval has allowed for the issuing of the preliminary environmental license by CETESB, issued by the body on July 25, 2019, thereby enabling EMAE to participate in power auctions, to be sponsored 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 on the part of Power Distributors. This condition has ruled out the energy auction agenda, in



such a way that there are no short-term expectations concerning thermal plants' participation in further energy auctions.

Expansion through Renewable Sources

The Company has made progress in encouraging the development of alternative and sustainable sources for the generation of electric energy, in line with its long-term strategy.

Photovoltaic solar

Based on the Public Call No. 02/2020, EMAE established two consortiums with private companies, for the development and installation of floating photovoltaic plants, with a total capacity of 90 MW, to be located in the Billings reservoir, in the city of São Paulo.

Hydroelectric plant

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 and the water resources permit were granted for the undertaking of the project.

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

EMAE has granted a group of areas adjacent to the São Paulo Plant for commercial exploitation. The winning bid was submitted by the Usina São Paulo Consortium, considering the payment of a fixed fee in the amount of R\$ 280.05 million, plus a variable fee calculated over the monthly gross revenues of the future project. The installments will be paid by October 2043, and will be adjusted on an annual basis by the variation of the IGPM (General Market Price Index), calculated as follows:

Term of the contract	Variable fee % of gross revenues
1st to the 36th month	4%
37th to the 72nd month	6%
73rd month until completion	8%

Impacts from Covid-19 on the Company

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In view of the Circular Letter/CVM/SNC/SEP/ number 02/2020, issued on March 10, 2020, the Company has considered the potential impacts on its business from the pandemic caused by Covid-19, and has not identified any economic implications to be accounted for in its financial statements for 2021.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The Company's individual and consolidated financial statements have been 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 Accounting (CFC), as well as by 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 Board of Directors' meeting held on March 9, 2022. Thereafter, the financial statements were examined by the Audit Committee, Fiscal Council, and submitted to the Board of Directors. Following their release, only the Board of Directors has a prerogative to change them.

2.2 Functional currency and basis of preparation

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

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 performed 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 16 - Measurement of the defined benefit obligation, determined by both the pension plan entity and employees;
- Note 17 - Recognition and measurement of the provision for labor, civil and tax risks;
- Note 19 - Other Obligations - GAM Improvements;
- Note 28 - Financial instruments.

2.4 Basis of assessment

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 16.

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's, 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 PRACTICES

3.1 Operating revenues

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

Quota regime

The Annual Generation Revenues (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, as well as 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, in addition to the charges incurred during the same period. The receipt of such quotas takes place on a monthly basis, in the same proportion as the recognized income.

Revenues from the rendering of services

The Company holds service rendering contracts involving the operation and maintenance of TEP Piratininga. The Company recognizes the revenues from the rendering of services, to the extent that the contracted services are carried out.

Revenues related to the construction of the Concession's assets



The proposal adopted by ANEEL, applied to the 2018 periodic review, has added to the revenues the portion allocated to 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).

This portion is associated with meeting the quality indices required under the Concession Agreement, and its value includes the replacement and modernization of all hydraulic and electromechanical equipment, as well as investment costs related to socio-environmental expenditures and demands by Management, until the end of the concession.

The costs related to the replacement and modernization of the hydraulic and electromechanical equipment are being provisioned in the account "Other Liabilities - Concession Investments", in accordance with the criteria laid down in item 21 of ICPC 01 - Concession Agreements, based on an estimate of the required and prudent investments, as prepared by Management and approved 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 variations are recognized in the result according to the variation of the monetary correction indices in the accrual period.

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 "Employee benefit plan entity", as the corresponding service is rendered.

B) Defined contribution plan

The contribution obligations related to the defined contribution plan are recognized in the result, under the caption "Employee benefit plan entity".

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. This benefit is discounted to the present value in order to determine the Company's obligation at the closing date of each year, which is presented net of any unrecognized past service costs, as well as 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.



Assessment 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 the 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 rendered – from 2% to 5%, levied on services of any nature;

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

Social Security Financing Contribution (COFINS) – 7.60% levied on electric power quotas, on the RAG 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 revenues 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 the Net Income

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% over the taxable income that exceeds R\$ 240 million, in the case of income tax, whereas social contribution is calculated at the rate of 9% of taxable income, and when applicable, it includes the offsetting of tax losses, and negative base for the social contribution tax, limited to 30% of the taxable income for the period.

Income tax and social contribution expenses 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 for the taxation through Presumed Profit, in the years 2021 and 2020.



Expenses of current income tax and social contribution

Expenses from current tax comprise the estimated 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 current 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 closing date, and these may be reduced to the extent that their realization is no longer probable.

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

The assessment of deferred tax liabilities and deferred tax assets reflects 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.

The assessment of deferred tax assets and liabilities reflects the tax implications arising from the manner in which the Company expects to recover or settle 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.

The materials held in stock in the warehouses are classified as current assets (when for maintenance), and as fixed assets in progress (when destined for construction work), and are registered at average acquisition cost.



3.7 Lease agreement for third parties

The Company holds 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 laid down by the concession contract of power generation, it was concluded that they are framed 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 have been reverted to the Federal Government by means of indemnity. The concessions of the plants Rasgão, Henry Borden and Porto Góes were renewed on December 4, 2012

The amount of compensation is still pending definition to be implemented 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 such assets. Since the Granting Authority has not yet concluded this process, the Company keeps recorded, under the caption "Concession Reversible Assets", those assets measured at their residual book value as at December 31, 2012, that is, at the value reclassified from the caption "Property, Plant and Equipment".

3.10 Property, plant and equipment

A) Recognition and measurement

The Company and its subsidiary recognize the expenditures 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. The items comprised by property, plant and equipment are measured at acquisition or construction cost, deducted from any accumulated impairment losses, when applicable.



When relevant parts of an item from 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 expenditures

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

C) Depreciation

Depreciation is calculated by 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, deducted of 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: In this category are recorded the financial instruments whose purpose, in the business model of the Company and its subsidiary, is to receive contractual cash flows and are related only to the payment of principal and interest on the outstanding principal.

The Company and its subsidiary classify their financial instruments at amortized cost. Financial instruments classified as "amortized cost" are initially recorded at fair value, added of transaction costs, and subsequently measured by using the effective interest rate method, deducted of 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 values of the Company's non-financial assets are reviewed at each reporting date for indications of impairment. If such indication arises, then the asset is 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 carrying amount exceeds its recoverable amount.

The recoverable value of an asset is the higher between the value in use and the fair value less selling costs. 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 specific risks of the asset.

3.14 Provisions for labor, civil and tax risks

The Company is a party to judicial and administrative proceedings. These lawsuits are periodically reviewed by Management and its legal counsel, in order to determine a reasonable estimate of the likelihood of loss. Provisions are set up for all lawsuits in which an outflow of resources necessary 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, so as to take into account changes in circumstances, as applicable limitation period, findings from tax inspections, or additional exposures identified, based on new issues or court decisions.

3.15 Standards and interpretations issued in 2021

CPC 50 - IFRS 17 - Insurance contracts

It establishes principles for recognition, measurement, presentation, and disclosure of insurance agreements, within the scope of this pronouncement. CPC 50 replaces CPC 11 - IFRS 4 - Insurance Contracts. The mentioned pronouncement must be applied for the annual periods beginning on or after January 1, 2023.

The Company is evaluating the impacts of adopting IFRS 17, but does not expect significant changes in the application of this new pronouncement.

Revision of technical pronouncements No. 18/2021



This document sets forth amendments to CPC 06(R2), relating to Covid-19 Related Benefits Granted to lessees, under leases that extend beyond June 30, 2021. The amendments introduced were effective for fiscal years beginning on or after January 1, 2021.

The review No. 18 has not brought any relevant impact on the Company's Financial Statements.

Review of technical pronouncements No. 19/2021

The review document presents amendments to Technical Pronouncements CPC 37(R1) - Initial Adoption of the International Accounting Standards, CPC 48 - Financial Instruments, CPC 29 - Biological Assets and Agricultural Products, CPC 27 - Property, Plant, and Equipment, CPC 25 - Provisions, Contingent Liabilities, and Contingent Assets, and CPC 15 (R1) - Combination of Businesses. The changes introduced will be effective as of January 1, 2022.

Revision No. 19 will not result in any material changes to the Company's Financial Statements.

4. CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Cash and bank accounts.....	2,549	859	2,549	1,948
Marketable securities (a).....	296,759	506,843	308,523	516,766
	299,308	507,702	311,072	518,714

These comprise cash balances, bank deposits on demand and short-term investments with immediate liquidity, and subject to an insignificant risk of change in value. The financial investments are stated at cost, plus income earned up to the closing date of the fiscal 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 available cash in fixed income funds with low credit risk, which yielded 3.3316% for the year ended December 31, 2021, and 2.2405% for December 31, 2020.

5. DISTRIBUTORS

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
a) Energy supply				
Energy supply to distributors.....	36,492	36,526	40,946	40,805

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As at December 31, 2021 and 2020, the balance of accounts receivable from distributors consists only of amounts falling due and, therefore, the Company understands that there is no need to record estimated losses on the realization of doubtful 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 of the UTE Piratininga Assets ("Lease"), for a period of 17 (seventeen) years, as from the effectiveness of the contract, with remuneration of R\$ 45 million per year, payable in semiannual installments, readjusted by the IGP-M, as of the second year, with the consequent transfer of the rights to exploit the generation of electric energy.

On May 21, 2008, having complied with the suspensive conditions then existing, the agreement 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 of the concession 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, however there was no formal pronouncement from the Granting Authority on the request, and up to the date of approval of these financial statements, it still remained under analysis.

The lease holds 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 that are specific to the control and ownership of the TEP;
- at the beginning of the lease, the present value of the minimum payment amounts 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 any significant alterations.

Statement of changes in the leasing of UTE Piratininga:

	Parent Company and Consolidated				
Account	Balance 12.31.20	Transfers	Financial Charges	Receipt	Balance 12.31.21
ASSETS					
Current.....	112,714	144,890	12,768	(137,640)	132,732
Non-current.....	283,387	(144,890)	93,793	-	232,290
	396,101	-	106,561	(137,640)	365,022

Statement of conciliation of the lease amounts:

	Parent Company and Consolidated	
	12.31.21	12.31.20
Nominal value of the contract.....	765,000	765,000
Unrealized financial income (a).....	(19,147)	(31,915)
Monetary variation.....	692,682	598,889
Receipts.....	(1,073,513)	(935,873)
	365,022	396,101

(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	
2023.....	121,349
2024.....	110,941
	232,290

7. OTHER CREDITS

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Current				
Services in progress (a).....	2,467	3,096	2,467	3,096
Dividends receivable from subsidiary (b).....	-	4,122	-	-
Amounts receivable - Free Energy (c).....	4,144	4,144	4,144	4,144
Employees assigned (d).....	1,546	6,224	1,546	6,224
Allowance for doubtful accounts (e).....	(7,433)	(11,347)	(7,433)	(11,347)
Advances to employees.....	-	8	-	8
Pirapora Energia S.A.....	346	345	-	-
Petrobras - O&M.....	1,462	440	1,462	440
Rentals.....	201	116	201	116
Contractual fines (g).....	512	406	512	406
Contract SEEM (Note 20.3).....	529	529	529	529
Scrap.....	12	-	12	-
	3,786	8,083	3,440	3,616

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- 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) Due to the writ of mandamus No. 43739-91.2010.4.01.3400, filed by the Brazilian Association of Electric Energy Distributors - ABRADÉE, on September 15, 2010, which through an injunction suspended the collection of the amount of the RTE - Extraordinary Tariff Recomposition. EMAE set up a provision for doubtful accounts on the full balance of the RTE receivables recorded and not yet received;
- d) These refer to amounts receivable from employees assigned to other entities of the Government of the State of São Paulo. The amounts overdue for more than 360 days are provisioned under the caption "Estimated losses on the realization of doubtful receivables";
- e) The balance of estimated losses on the realization of doubtful receivables as at December 31, 2021 corresponds to R\$ 7,433, consisting of: R\$ 1,505, assigned employees; R\$ 4,144, RTE; R\$ 503, contractual fines; R\$ 529, SEEM Agreement; R\$ 658, Petrobras Operation and Maintenance and R\$ 94 referring to leases and rents; In December 2021, EMAE received from the Secretary of Infrastructure and Environment - SIMA the amount of R\$ 4,719 referring to the compensation of employees assigned between the period from October 2014 to December 2016. As the amounts were recorded as estimated losses in prior years, the Company recognized the reversal in the result for 2021.
- f) These refer to amounts charged to third parties, due to delays in the execution of works, delivery of goods, and others.
- g) These refer to demobilized assets from the ETU - Transformation Station of the São Paulo Plant, registered at book value, which will be sold by means of a bidding procedure.



8. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

8.1 Conciliation of Income Tax and Social Contribution in the Result

	Parent Company		Consolidated		Parent Company		Consolidated	
	Income Tax				Social Contribution			
	2021	2020	2021	2020	2021	2020	2021	2020
Earnings before taxes and contributions.....	188,414	269,735	190,130	271,046	188,414	269,735	190,130	271,046
Current rate.....	25%	25%	25%	25%	9%	9%	9%	9%
Expected expense according to the current rate.....	(47,104)	(67,434)	(47,533)	(67,762)	(16,957)	(24,276)	(17,112)	(24,394)
a) Impact from IRPJ and CSLL on permanent differences								
Equity from subsidiaries.....	6,984	4,338	-	-	2,514	1,562	-	-
Interest on equity.....	9,043	9,404	9,043	9,404	3,255	3,385	3,255	3,385
Fiscal incentives.....	3,099	2,596	3,099	2,596	-	-	-	-
Others.....	499	(600)	499	(600)	171	(225)	171	(225)
b) Effect from presumed profit regime of subsidiary								
Pirapora Energia S.A.....	-	-	6,282	3,808	-	-	2,084	1,227
Income Tax and Social Contribution accounted for.....	(27,479)	(51,696)	(28,610)	(52,554)	(11,017)	(19,554)	(11,602)	(20,007)
Current.....	(55,636)	(34,494)	(56,767)	(35,352)	(21,655)	(18,180)	(22,240)	(18,633)
Deferred.....	28,157	(17,202)	28,157	(17,202)	10,638	(1,374)	10,638	(1,374)
Effective rate.....	15%	19%	15%	19%	6%	7%	6%	7%

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8.2 Breakdown of deferred taxes

	ASSETS		LIABILITIES	
	Parent Company and Consolidated		Parent Company and Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Income Tax				
Temporarily undeductible provisions (a).....	93,281	71,266	-	-
Tax losses 2003, 2005, 2006, 2007, 2009 and 2013 (b).....	-	1,393	-	-
Deferred tax liability Lease (c).....	-	-	77,061	83,644
Deferred tax liability Sabesp (d).....	-	-	22,862	23,815
Liabilities (assets) deferred taxes ORA (e).....		70,501	-	-
Social Contribution				
Temporarily undeductible provisions (a).....	33,581	25,656	-	-
Tax losses 2003, 2005, 2006, 2007, 2009 and 2013 (b).....	-	-	-	-
Deferred tax liability Lease (c).....	-	-	27,742	30,112
Deferred tax liability Sabesp (d).....	-	-	8,230	8,573
Liabilities (assets) deferred taxes ORA (e).....	-	25,380	-	-
	126,862	194,196	135,895	146,144
Offsetting between Assets and Liabilities (f).....		(146,144)	(135,895)	(146,144)
	126,862	48,052	-	-

a) These refer to credits offset against future taxable income, calculated on temporarily non-deductible provisions, where the most relevant are the provision for the realization of investments, with funds received as GAM Improvements, the labor, civil, and tax contingencies, and the provision for doubtful accounts;

b) These refer to balances of tax losses from previous years, fully used in 2021;

c) 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);

d) These refer to the recording of deferred income tax and social contribution, calculated over the Financial Assets related to the agreement with Sabesp (Note 22.1);

e) It refers to deferred tax assets on the defined benefit plan (Note 16).

f) 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 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 forecast taxable income, the Company estimates to recover the tax credit in the ensuing years:

Temporary differences (see note 8.2, line "a"):

2022.....	9,890
2023.....	5,849
2024.....	5,849
2025.....	5,849
2026.....	5,849
2027 up to 2042.....	93,576
	<u>126,862</u>

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9. GUARANTEES AND TIED DEPOSITS

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Current				
Tied deposits (a).....	12,110	11,749	12,110	11,749
Guarantees and tied deposits (c).....	-	-	-	2,717
	12,110	11,749	12,110	14,466
Non-current				
Judicial deposits (b).....	32,040	25,329	32,040	25,329
	32,040	25,329	32,040	25,329
	44,150	37,078	44,150	39,795

a) From the amount of linked deposits, i) R\$ 11,518 (R\$ 11,167 at December 31, 2020) refers to a deposit deriving from the sale of fuel oil during FY 2012, and held in asset and liability accounts for the same amount; ii) deposit of R\$ 592 (R\$ 582 at December 31, 2020), which is the main amount corresponding to the contractual guarantee paid to ANEEL, in October 2018 and April 2019, in connection with the Edgard de Souza Power Plant.

b) The consolidated balance included the guarantees from the BNDES financing, amounting to R\$ 2,717 at December 31, 2020 of the subsidiary Pirapora (Current assets). During the course of fiscal year 2021, due to the early settlement of the BNDES financing, the funds previously recorded under the caption "guarantees and linked deposits" were transferred to the caption "cash and cash equivalents" of the subsidiary.

c) This refers to initial or appeal deposits involving several civil, labor and tax lawsuits of the Company. EMAE questions the legitimacy of certain lawsuits, and because of this questioning, by court order or Management's own strategy, the amounts in question were deposited in court. By order of economic value, we list the deposits made, due to a lawsuit for the declaration of non-existence of a legal-tax relation filed by EMAE, related to the real estate property tax (IPTU) of the property located at Avenida Guido Caloi, São Paulo, SP, which was appropriated by the State of São Paulo, and subsequently transferred to FATEC-SP. The purpose of the deposits is to guarantee the suspension of the enforceability of the tax during the course of the process, whose status is in the appeal phase at the Superior Court of Justice.

10. INDEMNIFIABLE FINANCIAL ASSET

This refers to investments in generation infrastructure made after December 31, 2012, the cut-off base date for the renewal of the agreements covered by Law No. 12,783, which shall be compensated, and/or refunded, through the RAG pursuant to the Tariff Regulation Procedure - PRORET - sub-module 12.

The Company has classified the indemnifiable financial asset in the category of financial instruments measured at amortized cost.



Movements of the indemnifiable financial asset:

Parent Company and Consolidated						
	Balance at 12.31.20	Additions (a)	Transfer	Receipts (b)	Amortization (c)	Balance at 12.31.21
Current						
Financial asset.....	4,901	-	10,460	-	(6,297)	9,064
Advances to suppliers.....	9,947	35,389	-	(24,536)	-	20,800
	14,848	35,389	10,460	(24,536)	(6,297)	29,864
Non-current						
Financial asset.....	102,919	88,814	(10,460)	-	-	181,273
	102,919	124,203	-	(24,536)	(6,297)	211,137

- The additions for the year refer to investments made in the quota-holding plants, which increase the useful life of the units, and in improvements that will bring greater efficiency in energy production.
- Corresponds to the compensation for the advances made by the receipt of the goods. Amortização dos investimentos efetivamente já realizados (Nota 19).

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. The expression of interest has been ratified through a new Official Letter sent to ANEEL in August 2021, in accordance with ANEEL Normative Resolution No. 942/21, of July 13, 2021, which amended REN No. 596/13.

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 assets inherent to UHE Edgard de Souza are registered under the caption "Property, plant and equipment in progress", amounting to R\$ 69,349 as at December 31, 2021.

The net book value of reversible assets as at December 31, 2021 and 2020 amounts to R\$ 195,374.

12. INVESTMENTS

	Parent Company		Consolidated	
	12.31.21	12.31.20	12.31.21	12.31.20
Pirapora Energia S.A (a).....	162,794	95,606	-	-
Future use.....	1,390	1,390	1,390	1,390
Properties for Invest. - Adjacent Areas - São Paulo Plant (b).....	2	-	2	-
Total.....	164,186	96,996	1,392	1,390

(a) The Company holds control and interest in 100% of the equity of the subsidiary Pirapora Energia S.A.. In 2021, EMAE paid up R\$ 64,000 in its subsidiary, aiming at the early settlement of the financing contracted with BNDES, which was made on March 15, 2021.

A summary of the subsidiary's financial information is shown below:

	12.31.21	12.31.20
Assets.....	164,136	167,164
Liabilities.....	1,342	71,558
Shareholders' equity.....	162,794	95,606
	2021	2020
Income for the period.....	27,936	17,354

	Subsidiary
Balance at 12.31.2019.....	95,583
Additional dividend relative to 2019, paid in 2020.....	(13,209)
Income from equity in subsidiary.....	17,354
Mandatory minimum dividend.....	(4,122)
Balance at 12.31.2020.....	95,606
Capital increase.....	64,000
Additional dividend relative to 2020, paid in 2021.....	(12,364)
Income from equity in subsidiary.....	27,936
Dividends paid in advance 1st half 2021.....	(12,384)
Balance at 12.31.2021.....	162,794

(b) Concession of areas adjacent to the São Paulo Plant for commercial exploration

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EMA E has granted, with a term ending on November 30, 2042, a set of areas adjacent to the São Paulo Plant for commercial exploitation. The winning bid was submitted by the Usina São Paulo Consortium, considering the payment of a fixed fee of R\$ 280.05 million, added to the payment of a variable fee, calculated on the monthly gross revenues of the future project.

Up to 2020, spaces A and C, areas underlying the São Paulo Plant, were until then linked to the activity of generation. As required by ANEEL - both spaces have been disconnected.

- From fixed assets to Property for Investment

As set out in item 5 of CPC 28 - Property for Investment:

"Property for investment is real estate (land or building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset), for the purpose of earning rents, or for capital appreciation or both, and not for: (Amended by CPC Revision 13)

a) use in the production or supply of goods or services, or for administration purposes; or (b) sale during the regular course of business."

We also quote items 7 and 57 of the referred CPC:

"The properties for investment are held to earn rentals, or for capital appreciation or both, and therefore classified in the subgroup Investments, under Non-current Assets. Therefore, the property for investment generates cash flows that are highly detached from the other assets held by the entity. This differentiates properties for investment from the properties occupied by the owners. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to the properties, but also to other assets used in the production or supply process."

"The entity shall transfer property to, or from, the property for investment when, and only when, there is a change in use. Change in use takes place when the property meets, or ceases to meet, the definition of property for investment, and there is evidence supporting the change in use. Only the change in management's intentions for the use of the property does not provide evidence of the change in use."

Therefore, due to the plots of land having a new purpose for the generation of revenues, in addition to cash flows that are highly unrelated to the Company's existing activities, management has reclassified the plots of land to the caption "Investments", under non-current assets.

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, 2021 are represented by:

Parent Company	Average annual depreciation rates (%)	Balance as at 12.31.20	Additions	Write-offs	Transfer	Depreciation in the year	Balance as at 12.31.21
In operation							
Land.....		5,068		(6)	(2) (*)	-	5,060
Buildings, Constructions and Improvements.....	2.0%	832	49	-	-	(64)	817
Machinery and Equipment.....	3.2%	2,528	264	-	489	(557)	2,724
Vehicles.....	14.3%	680	-	-	-	(154)	526
Furniture and Fixtures.....	6.3%	267	24		25	(29)	287
Subtotal.....		9,375	337	(6)	512	(804)	9,414
In progress.....		69,308	785	(230)	(514)	-	69,349
Total Parent Company.....		78,683	1,122	(236)	(2)	(804)	78,763

(*) Refers to the transfer of R\$ 2 in investments

Consolidated	Average annual depreciation rates (%)	Balance as at 12.31.20	Additions	Write-offs	Transfer	Depreciation in the year	Balance as at 12.31.21
In operation							
Land.....		5,068	-	(6)	(2) (*)	-	5,060
Reservoirs, Dams and Pipelines.....	2.1%	44,996	106	-	-	(1,024)	44,078
Buildings, Constructions and Improvements.....	2.0%	46,813	1,693	-	-	(1,131)	47,375
Machinery and Equipment.....	3.2%	60,330	1,380	-	489	(2,643)	59,556
Vehicles.....	14.3%	680	-	-	-	(154)	526
Furniture and Fixtures.....	6.3%	268	24	-	25	(29)	288
Subtotal.....		158,155	3,203	(6)	512	(4,981)	156,883
In progress.....		69,308	785	(230)	(514)	-	69,349
Advance payment to suppliers.....		-		-	-	-	-
Total Consolidated.....		227,463	3,988	(236)	(2)	(4,981)	226,232

(*) Refers to the transfer of R\$ 2 in investments

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i) *Asset impairment analysis:*

In 2021, the Company's management did not identify any need to record an estimate of impairment loss for its property, plant and equipment.

14. FINANCING (CONSOLIDATED)

14.1 BNDES Financing

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).

Em 8 de março de 2012, a controlada Pirapora Energia S.A., subsidiária integral da EMAE, firmou contrato de financiamento junto ao BNDES (Banco Nacional de Desenvolvimento Econômico e Social) no valor de R\$ 98.000 a ser pago em 192 parcelas mensais with contractual maturity on September 15, 2030, updated by TJLP + 1.9 p.a. which accounted for 60% of the value of the investment expected for the construction of the PCH (Small Hydroelectric Plant). On March 15, 2021, Pirapora Energia S.A. has settled the contract.

	Consolidated					
	12.31.20					12.31.21
	Balance	Interest and charges	Payment of principal	Payment of interest and charges	Early settlement	Balance
Current and Non-Current						
BNDES Financing.....	66,361	1,600	(1,697)	(1,784)	(64,480)	-

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

15 PAYROLL AND CHARGES

Parent Company and Consolidated		
	12.31.21	12.31.20
Payroll and charges.....	4,724	4,593
Provision for vacations and charges....	7,910	12,030
PSP and Bonus.....	4,425	3,952
	17,059	20,575

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16 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			
		12.31.21		12.31.20	
		Current	Non-Current	Total	Total
VIVEST	- Pension Funds	56,890	371,774	428,664	241,077
	- Adjustment CPC 33 (R1) (IAS 19)....	-	23,818	23,818	98,672
		56,890	395,592	452,482	339,749

The evolution of the actuarial deficit of EMAE's retirement plans can be mainly explained by the growth in the value of benefits, which registered a considerable mismatch in relation to the return on the plan's assets.

In April 2021, PREVIC authorized a change in the reference index for the plan's benefits, adopting the IPCA as of May 2021.

16.1 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. For the variable contribution portion, the parity is based on a percentage freely chosen by the participant, up to the limit of 5%. The funding 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 70% in fixed income, 16% in equity, and 14% in other segments, yielding a consolidated profitability of 6.11% in 2021, compared to the actuarial target of 24.46% in the same period, driven by the change in the adjustment indexes for benefits.

In March 2020, due to the difficulty in obtaining new investments linked to the IGP, and aiming at avoiding eventual mismatches between assets and liabilities of the pension plan, EMAE, through VIVEST, filed with the National Superintendency of Complementary Social Security (PREVIC) a request to change the index for adjustment of the plan's benefits from the IGP-DI to the IPCA, after approval by the Plan's Management Committee and the Entity's Deliberative Council.



On April 7, 2021, PREVIC - Brazilian Superintendency for Complementary Social Security published, in the Federal Official Gazette, Ordinance No. 201, which approved the proposed changes to the PSAP/EMAЕ Pension and Retirement Supplementation Plan regulations, authorizing the change of the plan's indexing factor from IGP-DI to IPCA as of May 1, 2021.

16.2 Summary of the Actuarial Study in accordance with CPC 33(R1) Employee Benefits

Based on the actuarial assessment prepared by an independent actuary as at December 31, 2021, in accordance with the criteria laid down by "CPC 33(R1) Employee Benefits", EMAЕ's actuarial liability was calculated as follows:

A) Actuarial assumptions

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

	12.31.21	12.31.20
Nominal rate used for discounting the actuarial liability to present value.....	9.28%	7.38%
Expected rate of return on the plan assets.....	9.28%	7.38%
Future salary growth rate.....	0.00%	0.00%
Adjustment rate for continuous cash benefit granted	3.75%	3.75%
Capacity factor for the benefit/salary to preserve its purchasing power.....	3.75%	3.75%
Turnover rate.....	not adopted AT - 2000 Masculine	not adopted
General mortality table.....	softened by 10%.	AT - 2000 M/F
Mortality table for the disabled.....	aggravated by 10% LIGHT-WEAK	AT-49 Masc
Table of entry into disability.....	softened by 30%.	LIGHT-WEAK
BSPS	12.31.21	12.31.20
No. of active participants	326	345
Number of inactive participants - retired other than by disability	712	706
Number of inactive participants - retirees by disability.....	30	31
Number of inactive participants - pensioners.....	91	80
BD	12.31.21	12.31.20
No. of active participants	354	373
Number of inactive participants - retired other than by disability	694	686
Number of inactive participants - retirees by disability.....	29	30
Number of inactive participants - pensioners.....	86	74
CV	12.31.21	12.31.20
No. of active participants	350	369
Number of inactive participants - retired other than by disability	450	440
Number of inactive participants - retirees by disability.....	15	15
Number of inactive participants - pensioners.....	45	37



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.		B.D.		C.V.		TOTAL	
	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20
Total actuarial liability.....	1,169,721	1,039,489	541,316	483,628	108,661	94,842	1,819,698	1,617,959
Fair value of assets (mark-to-market).....	(779,912)	(777,120)	(457,915)	(453,238)	(45,739)	(47,852)	(1,283,566)	(1,278,210)
Asset limitation effect.....	-	-	(41,701)	-	(41,949)	-	(83,650)	-
Net liabilities (assets).....	389,809	262,369	41,700	30,390	20,973	46,990	452,482	339,749

B2) Movement of the plan liabilities

	B.S.P.S.		B.D.		C.V.		TOTAL	
	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20
Present value of the total net actuarial liabilities.....	1,039,489	785,148	483,628	315,107	94,843	48,059	1,617,960	1,148,314
Cost of current service.....	-	-	6,670	241	-	-	6,670	241
Interest on actuarial liabilities.....	76,714	74,904	35,692	30,061	6,999	4,585	119,405	109,550
Actuarial (Gain)/Loss.....	137,499	241,357	32,819	150,697	14,371	48,053	184,689	440,107
Benefits paid.....	(83,981)	(61,920)	(17,493)	(12,478)	(7,552)	(5,854)	(109,026)	(80,252)
Present value of the total net actuarial liabilities.....	1,169,721	1,039,489	541,316	483,628	108,661	94,843	1,819,698	1,617,960

B3) Movement of the plan assets

	B.S.P.S.		B.D.		C.V.		TOTAL	
	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20
Fair value of the plan assets.....	(777,120)	(737,760)	(453,238)	(423,244)	(47,852)	(46,461)	(1,278,210)	(1,207,465)
Company contributions to the plan.....	-	(5,266)	(199)	(377)	(672)	(942)	(871)	(6,585)
Expected return on plan assets.....	(57,351)	(70,382)	(33,449)	(40,377)	(3,531)	(4,432)	(94,331)	(115,191)
Return on plan assets (above)/below discount rate.....	(26,271)	(23,246)	11,732	(1,531)	(1,236)	(1,490)	(15,775)	(26,267)
Participant contributions to the plan.....	(3,151)	(2,386)	(254)	(187)	-	(381)	(3,405)	(2,954)
Benefits paid by the plan.....	83,981	61,920	17,493	12,478	7,552	5,854	109,026	80,252
Fair value of plan assets.....	(779,912)	(777,120)	(457,915)	(453,238)	(45,739)	(47,852)	(1,283,566)	(1,278,210)

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B4) Conciliation of the net value of the actuarial liability

	B.S.P.S.		B.D.		C.V.		TOTAL	
	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20
Total net actuarial liabilities (assets) at the beginning of the year.....	262,369	47,388	30,390	-	46,990	1,598	339,749	48,986
Expense / (income) recognized in the Income Statement.....	19,363	4,521	8,913	241	3,468	152	31,744	4,914
Company contribution to the plan.....	-	(5,266)	(199)	(377)	(672)	(942)	(871)	(6,585)
Participant contributions to the plan.....	(3,151)	(2,386)	(254)	(187)	-	(381)	(3,405)	(2,954)
Actuarial (Gain) Loss in ORA.....	111,228	218,112	44,551	30,713	13,136	46,563	168,915	295,388
Effect of the asset ceiling / risk sharing.....	-	-	(41,701)	-	(41,949)	-	(83,650)	-
Closing Balance.....	389,809	262,369	41,700	30,390	20,973	46,990	452,482	339,749

B5) Sensitivity Analysis

	B.S.P.S.		B.D.		C.V.		TOTAL	
	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20	12.31.21	12.31.20
Discount rate to be reduced by 0.50%.....	1,231,540	1,093,906	569,924	508,946	114,403	99,807	1,915,867	1,702,659
Discount rate to be increased by 0.50%.....	1,107,901	991,465	512,707	454,318	102,917	90,017	1,723,525	1,535,800
Inflation to be reduced by 0.50%.....	1,167,287	1,036,834	540,189	482,392	108,207	94,402	1,815,683	1,613,628
Inflation to be increased by 0.50%.....	1,164,143	1,041,796	556,461	493,089	108,711	95,085	1,829,315	1,629,970
Salary growth to be reduced by 0.50%.....	1,170,275	1,039,488	539,205	481,514	108,712	94,842	1,818,192	1,615,844
Salary growth to be increased by 0.50%.....	1,161,564	1,039,488	548,172	485,744	108,433	94,842	1,818,169	1,620,074
Benefits adjustment to be reduced by 0.50%.....	1,167,287	1,036,834	540,189	482,392	108,207	94,402	1,815,683	1,613,628
Benefits adjustment to be increased by 0.50%.....	1,164,143	1,041,796	556,461	493,089	108,711	95,085	1,829,315	1,629,970

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

	12.31.21	12.31.20
(a) Balance at the beginning of the year.....	(186,123)	8,832
(b) Actuarial (loss) generated by the discount rate.....	315,864	(260,007)
(c) Actuarial (loss) gain generated by demographic experience.....	(458,042)	(132,986)
(d) Actuarial (loss) generated by demographic assumption.....	(42,511)	(47,114)
(e) Actuarial gain generated by the effective yield on the plan's assets.....	15,775	26,267
(f) Change in the "asset ceiling" other than interest.....	83,650	118,453
(g) Effect from the settlement of debt restructuring.....	(25,965)	-
(h) Effect on the Statements of Comprehensive Income (b+c+d+e+f).....	(111,229)	(295,387)
(i) Effect from income tax and social contribution.....	37,818	100,432
Balance at the end of the year (a+h+i).....	(259,534)	(186,123)

D) The estimated expenditure for FY 2022 is shown below:

	2022
Cost of current services.....	7,138
Interest on actuarial liabilities.....	163,808
Expected return on plan assets.....	(114,056)
Total estimated expenditure for the year.....	56,890

16.3 Financial Formulation of the Benefit Plans with VIVEST Foundation

In 1997, therefore before the spin-off of the former Eletropaulo - Eletricidade de São Paulo S. A, which gave rise to EMAE, an agreement was formalized, with the intervention of the then Brazilian Supplementary Pension Plan Secretary (SPC), to adjust the reserves to be amortized (contract for Adjustment of Mathematical Reserves), which includes a variable clause, for the coverage of the technical actuarial deficit related to the "Balanced Proportional Supplementary Benefit" (BSPS), with a view to reconciling the cash flow between EMAE and the then CESP Foundation, currently VIVEST. Following the spin-off, EMAE assumed the portions that had been assigned to it, in relation to the assets and liabilities of the aforementioned plan.

This agreement provided for the amortization of the deficit existing in 1997 in 240 monthly installments, updated by the change in the IGP-DI, and added to a 6% p.a. interest rate. On June 22, 2017, a contractual addendum was signed, extending the maturity of the agreement to March 2032. With the change of the Plan's reference index to the IPCA, the balance of the agreement will also start to be updated by the IPCA, as of May 2021.

Every year, the surplus or deficit calculated in the actuarial valuation is incorporated to the balance of the agreement, and the amortization installments are recalculated, based on this new balance of the BSPS subplan.

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



Any potential deficits in the BD and CV sub-plans are subject to balancing, according to the applicable regulation and legislation. To date, only the CV subplan has required an adjustment for the deficits calculated for the years 2015, 2018, 2019, and 2020.

The difference between the balances shown in the balancing agreements, and the liabilities recorded, in compliance with CPC 33 (R1)/IAS19, stems from the difference between the accounting methodology used in EMAE's balance sheet, versus the methodology approved by PREVIC, and used by VIVEST to evaluate the actuarial situation of the benefit plans. The difference between these two methodologies as at December 31, 2021, is as follows:

	Parent Company and Consolidated
	12.31.21
Debt balance.....	428,664
Actuarial adjustment.....	23,818
Balance CPC 33 (R1)/IAS 19.....	452,482

17 PROVISION FOR LABOR, CIVIL AND TAX RISKS

17.1 Contingencies - Probable Loss

	Parent Company and Consolidated				
	12.31.20	12.31.21			
	Balance	Provision	Reversal	Payment	Balance
Non-current					
Labor.....					
Hazard.....	13,127	1,302	-	-	14,429
Various.....	19,504	24,206	(9,380)	(15,234)	19,096
	32,631	25,508	(9,380)	(15,234)	33,525
Civil.....	31,980	7,952	(162)	-	39,770
Tax.....	611	3,867	-	-	4,478
Environmental.....	60	10	-	-	70
Administrative.....	9	1	-	-	10
	65,291	37,338	(9,542)	(15,234)	77,853

A) Safety Hazard

This is a collective lawsuit filed by the Union of Electrical Workers on July 7, 1999, before the São Paulo Labor Court, Case No. 01767006319995020039 - 39th Circuit, claiming that the Company should be ordered to pay the additional risk premium for all the employees then on 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) Miscellaneous

These refer to several lawsuits filed by employees and former employees, which generally require payment of salary equalization, health hazard premiums and other issues. From this group of lawsuits in the year ended December 31, 2021, there were reviews of sentences by the Superior Courts, resulting in an increase in the provision balance.



C) Civil

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

This is a lawsuit arising from ANEEL Order 288/2002, in which the Company participates as co-party in the lawsuit filed by AES SUL Distribuidora Gaúcha de Energia S.A., which claims the right to not opt for the so-called "exposure relief", for the rationing period that took place in 2001, allowing for settlement at the CCEE in its favor. On April 9, 2014, a decision was published granting the appeal of AES Sul, which was opposed by EMAE and other Interested Parties by way of a motion for clarification. These appeals are currently awaiting judgment.

The Company considers that the lawsuit still holds a likelihood of probable loss as of December 31, 2021, and the amount accrued for this cause is R\$ 36,348 (R\$ 31,064 as of December 31, 2020).

D) Tax

This is a tax enforcement action for the collection of IPTU for the year 2016. The executed property is subject to an agreement for free use of the area, entered into between EMAE (the owner of the property) and the State of São Paulo, through the Department of Environment, where the Villa Lobos Park is located. Execution is currently suspended, pending the outcome of the declaratory lawsuit.

17.2 Contingencies - Likelihood of Probable Loss

The contingencies as of December 31, 2021, in their different types, assessed and classified according to their probability of economic-financial risk as possible loss are shown below:

Nature	Parent Company and Consolidated	
	Probable	
	12.31.21	12.31.20
Administrative.....	663	374
Environmental.....	130,629	111,055
Civil.....	23,153	19,834
Labor.....	2,833	14,501
Tax.....	32,907	41,415
	<u>190,185</u>	<u>187,179</u>



a) Administrative

The most relevant lawsuit refers to a charge filed by the São Paulo City Hall for failure to clean the property, which is irregularly occupied. 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, 2021 the value of the claim stood at R\$ 359.

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.

The Company considers that the lawsuit continues with an estimated probability of possible loss as of December 31, 2021, and the total amount of the claim is R\$ 123,960 (R\$ 105,481 as of December 31, 2020).

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 finds herself in an advantageous position, since the court granted the original claim, however 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, 2021, being the total amount of the proceeding R\$ 21,701 (R\$ 18,890 as at December 2020).

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, 2021, the amount in dispute was R\$ 9,743.



18 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 (10 years), based on the new legislation in force, the aforementioned amount has been amortized on a monthly basis, through collections to the Electric Energy Trading Chamber (CCEE).

	Parent Company and Consolidated					12.31.21
	12.31.20	Transfer	Interest	Payment of interest	Payment of principal	
Current						
Special obligations (GRR).....	1,801	1,800	488	(488)	(1,800)	1,801
Non-current						
Special obligations (GRR).....	9,000	(1,800)	-	-	-	7,200

19 OTHER OBLIGATIONS - INVESTMENTS IN THE CONCESSION

These correspond 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. The amounts provisioned are recorded according to the Investment Plan, and show the following movements in the period:

	Parent Company and Consolidated				
	12.31.20	Movement in the period	12.31.21	Other obligations	
	Indemnifiable Financial Asset		Indemnifiable Financial Asset	Current	Non current
Total Investments made.....	116,425	88,814	205,239	-	-
Advances to suppliers (a).....	9,947	10,853	20,800	-	-
Provision - Concession Investments (b).....	-	-	-	23,966	274,347
Accumulated amortization.....	(8,605)	(6,297)	(14,902)	(14,902)	-
Total.....	117,767	93,370	211,137	9,064	274,347

(a) Advances to suppliers for acquisitions not yet received

(b) Accumulated provision adjusted by the best estimate

As from the effectiveness of the 2nd Amendment to the Concession Agreement on January 1, 2013, that is, with the start of operation of the plants under the quota regime until December 31, 2021, the Company has invested R\$ 205.3 million in the concession, seeking modernization, efficiency and the reduction of risks related to energy production. As established by the legislation, the amount already invested must be amortized in a straight-line manner until the end of the concession, since the economic benefits inherent in the correct investment of the funds shall produce return (cash flows) by November 30, 2042.



20 OTHER OBLIGATION - CONGÁS

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 (city gate), works for the general arrangement of the piping, and equipment of the Pressure Regulation Station and PIC Receiver, valid until November 30, 2042. EMAE has received in advance the amount of R\$ 10,982, whose recognition in its results has been occurring on a linear basis throughout the year. Until December 31, 2021, EMAE recorded the amount of R\$ 487 in the Company's results.

21 OTHER LIABILITIES

	Parent Company and Consolidated	
	12.31.21	12.31.20
Judicial deposits.....	5,640	5,186
Reverse stock split.....	592	592
Insurance Payable.....	590	4,268
Others.....	14	25
	6,836	10,071

22 TRANSACTIONS WITH RELATED PARTIES

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

22.1 Financial Asset – Sabesp Agreement

Since 2014, the Company had been negotiating an agreement with Sabesp, aimed at settling 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 disputes, as per the material fact released by the Company on October 28, 2016.

Following the fulfillment of the Suspensive Conditions, and the approval of the mentioned addendum by the Boards of SABESP and EMAE, on October 11 and 18, 2017, respectively, the Instrument became fully effective.

This Instrument and its addendum determined the receipt by EMAE of R\$ 218,130, as of 2017, 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 of December 31, 2021, the Company has a balance receivable of R\$ 91,448, of which R\$ 83,580 is classified under non-current assets.



Statement of changes in the Sabesp contract:

	Parent Company and Consolidated				
	Balance 12.31.20	Transfers	Financial Charges	Receipt	Balance 12.31.21
ASSETS					
Current					
Sabesp.....	22,880	9,182	-	(19,209)	12,853
Adjustment to present value.....	(5,296)	(4,985)	5,296		(4,985)
	17,584	4,197	5,296	(19,209)	7,868
Non-current					
Sabesp.....	143,855	(9,182)	10,100	-	144,773
Adjustment to present value.....	(66,178)	4,985	-	-	(61,193)
	77,677	(4,197)	10,100	-	83,580
	95,261	-	15,396	(19,209)	91,448

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:

2023.....	7,356
2024.....	6,877
2025.....	6,429
2026.....	6,010
2027 up to 2042.....	56,908
	<u>83,580</u>

22.2 Operation and Maintenance between Emaë and Pirapora

In December 2020, with the prior consent of ANEEL - Agência Nacional de Energia Elétrica, EMAE entered into an agreement with its subsidiary Pirapora Energia S.A., for the sharing of staff costs. In the fiscal years of 2021 and 2020, there were sharing amounts of R\$ 4,148 and R\$ 323, respectively.

22.3 Cooperation Agreement with the State Secretariat of Infrastructure and Environment

On July 16, 2018, the Company signed a technical-operational cooperation agreement with the former State Department of Energy and Mining - SEEM, currently the Department of Infrastructure and Environment - SIMA, with the purpose of joining efforts to develop studies and projects in the sphere of energy, aiming at the optimization, rationalization, quality control, 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, 2021 the Company held a receivable balance of R\$ 529, related to the months of October, November, and December 2018.



22.4 Assignment of Employees

This refers to the assignment of EMAE employees, through reimbursement to the current Regional Development Secretariat, Justice and Citizenship Secretariat, Infrastructure and Environment Secretariat and the Public Services Regulatory Agency of the State of São Paulo, agencies of the Administration of the State of São Paulo. As at December 31, 2021, the balance receivable amounted to R\$ 1,546, see Note 7 letter (d).

22.5 Remuneration of key management personnel

In compliance with CPC 05(R1) - Disclosure on related parties, the Company reports that for the years 2021 and 2020, the expenditures related to the compensation of key management personnel were:

Related Parties	(a)	No. of members	Remuneration	No. of members	Remuneration
Statutory Management (*).....		4.00	2,057	4.00	2,282
Fiscal Council.....		5.00	342	4.17	285
Board of Directors.....		11.00	1,259	10.83	1,113
Audit Committee.....		3.00	503	2.17	335
		23.00	4,161	21.17	4,015

(a) Annual average

(*) Fixed and variable remuneration

23 SHAREHOLDERS' EQUITY

23.1 Capital Stock

The paid-in capital of R\$ 285,411 is composed of 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	2.39	-	-	350,832	0.95
Álvaro Luiz Alves de Lima Alvares Otero.....	-	-	2,201,133	9.90	2,201,133	5.96
Others.....	1,097	0.01	5,572,180	25.05	5,573,277	15.08
TOTAL.....	14,705,370	100.00	22,241,714	100.00	36,947,084	100.00

During the years ended December 31, 2021 and 2020, no new shares have been issued.

Pursuant to the Company's Bylaws, regardless of any statutory restructuring, 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.

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23.2 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, 2021 and 2020 (in thousands, except per share amounts):

	Parent Company and	
	2021	2020
Net Income for the period.....	149,918	198,485
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\$ 4.20997	R\$ 5.57381
Common share.....	R\$ 3.82725	R\$ 5.06710

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.

23.3 Allocation of the net income for the year

	2021	2020
Net income for the period.....	149,918	198,485
(-) Constitution of legal reserve (5%).....	7,496	9,924
(=) Remaining profit after reserve.....	142,422	188,561
Mandatory dividend (25%).....	35,606	47,140
(-) Interest on Equity over the capital recognized for the year (a).....	(36,171)	(37,614)
Recognition of unrealized profit reserve.....	7,115	6,509
Remaining balance of dividends payable.....	6,550	16,035
Additional dividend proposed.....	4,860	14,000
(-) Formation of statutory reserve for the rebalance of assets.....	-	127,421
(-) Constitution of reserve for contingencies.....	101,391	-
(=) Remaining income.....	-	-

(a) Payment of Interest on Equity ("JCP") - In 2021, the Company deliberated in an Executive Board Meeting, and approved in a Board of Directors' Meeting, the payment of Interest on Equity in the amount of R\$ 36,171.

Company's Management also proposed the following allocation:

Constitution of Legal Reserve in the amount of R\$ 7,496; minimum mandatory dividend of R\$ 35,606; realization of the Unrealized Earnings Reserve in the amount of R\$ 7,115,

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which will be added to the mandatory dividend; proposed additional dividend of R\$ 4,860, corresponding to the portion of income tax on interest on equity paid.

Proposal for the constitution of a contingency reserve in the amount of R\$ 101,391, for the partial coverage of the actuarial deficit of the pension plan, which, as at December 31, 2021, totaled R\$ 259,534, and with the intent of offsetting an occasional decrease in earnings for future years.

Up to the deliberation taken by the Annual General Shareholders' Meeting, the proposed additional dividend will remain recorded in a specific account of the Shareholders' Equity, as established in the Technical Interpretation - ICPC 08 (R1).

23.4 Dividends per share

The dividend per share for the years ended December 31, 2021 and 2020 (in thousands, except per share amount) was calculated as follows:

	2021	2020
Net dividend for the year.....	42,720	67,649
	Number of Shares	Number of Shares
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
Dividend per share	R\$	R\$
Common share (ON).....	1.09060	1.72700
Preferred shares (PN).....	1.19966	1.89970
Total dividends per type of share	R\$	R\$
ON.....	16,038	25,396
PN.....	26,683	42,253
	42,720	67,649

23.5 Changes in earnings reserve

The table below shows the changes in earnings reserves as at December 31, 2021 and 2020:

	Parent Company and Consolidated	
	12.31.21	12.31.20
Opening balance of earnings reserves at the beginning of the year....	218,095	308,852
Constitution of legal reserve.....	7,496	9,924
Realization of unrealized earnings reserve.....	(7,115)	(6,509)
Realization of the retained earnings reserve.....	-	(15,022)
Realization of the reserve for Grant repurchase.....	-	(72,331)
Realization of the reserve for Asset recomposition.....	-	(134,240)
Constitution of the reserve for Asset recomposition.....	-	127,421
Constitution of reserve for actuarial deficit.....	101,391	-
Final balance of earnings reserves at the end of the year.....	319,867	218,095



23.6 Changes in other comprehensive income

	Parent Company and Consolidated	
	12.31.21	12.31.20
Balance at the beginning of the year.....	(186,123)	8,832
Actuarial (Loss) Gain.....	(121,895)	(290,471)
Income from the plan assets.....	10,412	17,336
Ceiling of Assets.....	38,072	78,180
Balance at the end of the year.....	(259,534)	(186,123)

The changes in other comprehensive income reflect the deficits calculated in the BSPS, BD, and CV sub-plans of the Vivest- EMAE complementary pension plan for the years 2020 and 2021, as described in Note 16.

23.7 Conciliation of dividends and interest on equity

The following table shows the change in dividends and interest on equity for fiscal year 2021:

	Parent Company and Consolidated
Balance of Interest on Equity and Dividends as at 12/31/2020.....	237,990
Additional Dividends declared.....	14,000
Interest on Equity (IOE) declared for the period.....	36,171
Payment of IOE and Dividends for fiscal year 2020.....	(282,874)
Withholding Income Tax on IOE.....	(3,264)
Recognition of unrealized earnings reserve.....	7,115
Balance of IOE and Dividends as at 12/31/2021.....	9,138

24 NET REVENUES

24.1 Conciliation of net operating revenues

	Parent Company		Consolidated	
	2021	2020	2021	2020
REVENUES				
Electric energy quotas (Note 22.2).....	440,685	427,171	440,685	427,171
Energy supply - auction (Nota 22.2).....	-	-	38,572	36,845
Short-term Energy - CCEE (Nota 22.2).....	439	69	8,896	997
Revenues from services rendered (Note 22.3).....	13,089	15,001	13,089	11,632
Other revenues.....	2,080	1,386	2,080	1,386
Revenues related to the construction of concession assets (Note 10)	88,814	26,967	88,814	26,967
	545,107	470,594	592,136	504,998
REVENUE DEDUCTIONS				
COFINS over operating revenues.....	(46,658)	(42,714)	(48,069)	(43,847)
PIS over operating revenues.....	(10,130)	(9,273)	(10,436)	(9,519)
Tax on Services (ISS).....	(691)	(746)	(691)	(746)
Research and development.....	(3,916)	(3,755)	(3,916)	(3,755)
	(61,395)	(56,488)	(63,112)	(57,867)
NET REVENUES.....	483,712	414,106	529,024	447,131

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24.2 Electric Energy Sold

	Parent Company				Consolidated			
	MWh (*)		R\$		MWh (*)		R\$	
	2021	2020	2021	2020	2021	2020	2021	2020
Physical quota guarantees (a)								
Electric energy quotas.....	640.832	1.280.308	440.685	427.171	640.832	1.280.308	440.685	427.171
Supply (b)								
Auction.....	-	-	-	-	144.102	133.808	38.572	36.845
Electric Energy Trading Chamber (CCEE) (c)								
Short-term energy.....	-	-	439	69	-	-	8.896	997
Total.....	640.832	1.280.308	441.124	427.240	784.934	1.414.116	488.153	465.013

(*) Not audited by independent auditors.

a) Physical guarantee quotas were introduced by Law 12.783/2013, and are related to the assignment 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 agreements signed in auctions at the ACR;

c) This includes the billing amounts of available energy traded within the scope of CCEE. During 2021, the short-term Energy (CCEE) totaled R\$ 8,896, being R\$ 6,231 related to the receipt of the installments related to the hydrological risk agreement, regulated by ANEEL Normative Resolution No. 930, of March 30, 2021, and R\$ 2,665 related to EMAE's results, as well as those of its subsidiary, in CCEE's MCP.

24.3 Revenues from services rendered

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

	Parent Company		Consolidated	
	2021	2020	2021	2020
Petrobras (UTE's) (a).....	10,078	8,929	10,078	8,929
PMSP (Eduardo Yassuda Pumping Station).....	3,011	2,594	3,011	2,594
Operation and Maintenance Service - PIRAPORA (b).....	-	3,369	-	-
Other services.....	-	109	-	109
	13,089	15,001	13,089	11,632

(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.

(b) During 2021, no revenue was recognized from services rendered for the operation and maintenance of PCH Pirapora Energia S.A., on account of the termination of the contract in the fourth quarter of 2020, which was replaced by the Agreement for sharing personnel costs between EMAE and its subsidiary, with prior consent from ANEEL

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25 23. OPERATION COSTS AND OPERATING EXPENSES BY NATURE

25.1 Parent Company

	Cost of electric power service		General and Administrative expenses		Other (expenses) and income		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Charges for the use of the electric grid.....	(45,601)	(41,290)	-	-	-	-	(45,601)	(41,290)
Financial compensation for the use of water resources.....	(3,409)	(7,136)	-	-	-	-	(3,409)	(7,136)
Inspection fee (ANEEL).....	-	-	(1,397)	(1,340)	-	-	(1,397)	(1,340)
Personnel.....	(49,632)	(65,558)	(53,698)	(41,005)	-	-	(103,330)	(106,563)
Administrators.....	-	-	(4,375)	(3,997)	-	-	(4,375)	(3,997)
Pension plan to employees (Note 15).....	(31,744)	(2,935)	-	-	-	-	(31,744)	(2,935)
Material.....	(3,675)	(2,902)	(1,818)	(2,244)	-	-	(5,493)	(5,146)
Outsourced services.....	(45,437)	(40,395)	(23,816)	(23,634)	-	-	(69,253)	(64,029)
Depreciation/amortization.....	-	-	(1,490)	(1,836)	-	-	(1,490)	(1,836)
Rents.....	-	-	(5,720)	(5,860)	-	-	(5,720)	(5,860)
Provision for labor, civil and tax risks (Note 16).....	(27,796)	(16,636)	-	-	-	-	(27,796)	(16,636)
GAM Improvements Provision (Note 18).....	(85,232)	(208)	-	-	-	-	(85,232)	(208)
Allowance for doubtful accounts.....	(807)	(542)	-	-	-	-	(807)	(542)
(-) Reversal of the allowance for doubtful accounts.....	4,722	-	-	-	-	-	4,722	-
(-) PIS/COFINS credits.....	20,270	4,359	-	-	-	-	20,270	4,359
IPTU.....	(8,414)	(8,609)	-	-	-	-	(8,414)	(8,609)
Costs related to construction of own assets (Note 10).....	(88,814)	(26,967)	-	-	-	-	(88,814)	(26,967)
Insurance.....	(4,802)	(4,132)	-	-	-	-	(4,802)	(4,132)
Condominium charges.....	-	-	(881)	(845)	-	-	(881)	(845)
Donations (c).....	-	-	-	-	(2,270)	(1,838)	(2,270)	(1,838)
Sponsorships (d).....	-	-	-	-	(4,063)	(78)	(4,063)	(78)
Adjustment to fair value - Land on Av. Miguel Yunes.....	-	-	-	-	10,952	-	10,952	-
Gain on disposal of assets and rights.....	-	-	-	-	296	-	296	-
Banco do Brasil Agreement.....	-	-	-	-	1,048	192	1,048	192
Write-off of time-barred credits.....	-	-	-	-	(1,454)	-	(1,454)	-
Others.....	1,080	1,772	-	-	-	(153)	1,080	1,619
Total.....	(369,291)	(211,179)	(93,195)	(80,761)	4,509	(1,877)	(457,977)	(293,817)

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25.2 Consolidated

	Cost of electric power service		General and Administrative expenses		Other (expenses) and income		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Physical guarantee (GSF).....	(1,823)	(1,449)	-	-	-	-	(1,823)	(1,449)
Charges for the use of the electric grid.....	(45,908)	(41,557)	-	-	-	-	(45,908)	(41,557)
Financial compensation for the use of water resources.....	(3,409)	(7,136)	-	-	-	-	(3,409)	(7,136)
Inspection fee (ANEEL).....	-	-	(1,480)	(1,417)	-	-	(1,480)	(1,417)
Personnel.....	(53,780)	(65,881)	(53,698)	(41,005)	-	-	(107,478)	(106,886)
Managers.....	-	-	(4,375)	(3,997)	-	-	(4,375)	(3,997)
Pension plan to employees (Note 15).....	(31,744)	(2,935)	-	-	-	-	(31,744)	(2,935)
Material.....	(3,976)	(3,112)	(1,818)	(2,244)	-	-	(5,794)	(5,356)
Outsourced services.....	(49,097)	(43,593)	(23,816)	(23,634)	-	-	(72,913)	(67,227)
Depreciation/amortization.....	(4,256)	(4,163)	(1,490)	(1,836)	-	-	(5,746)	(5,999)
Rents.....	-	-	(5,732)	(5,919)	-	-	(5,732)	(5,919)
Provision for labor, civil and tax risks (Note 16).....	(27,796)	(16,636)	-	-	-	-	(27,796)	(16,636)
GAM Improvements Provision (Note 18).....	(85,232)	(208)	-	-	-	-	(85,232)	(208)
Allowance for doubtful accounts.....	(807)	(542)	-	-	-	-	(807)	(542)
(-) Reversal of the allowance for doubtful accounts.....	4,722	-	-	-	-	-	4,722	-
(-) PIS/COFINS credits.....	20,270	4,359	-	-	-	-	20,270	4,359
IPTU.....	(8,414)	(8,609)	-	-	-	-	(8,414)	(8,609)
Costs related to construction of own assets (Note 10).....	(88,814)	(26,967)	-	-	-	-	(88,814)	(26,967)
Insurance.....	(5,049)	(4,259)	-	-	-	-	(5,049)	(4,259)
Condominium charges.....	-	-	(881)	(845)	-	-	(881)	(845)
Donations (c).....	-	-	-	-	(2,270)	(78)	(2,270)	(78)
Sponsorships.....	-	-	-	-	(4,063)	(1,838)	(4,063)	(1,838)
Adjustment to fair value - Land on Av. Miguel Yunes.....	-	-	-	-	10,952	-	10,952	-
Gain on disposal of assets and rights.....	-	-	-	-	296	-	296	-
Banco do Brasil Agreement.....	-	-	-	-	1,048	192	1,048	192
Write-off of time-barred credits.....	-	-	-	-	(1,454)	-	(1,454)	-
Others.....	1,001	1,676	-	-	-	(384)	1,001	1,292
Total.....	(384,112)	(221,012)	(93,290)	(80,897)	4,509	(2,108)	(472,893)	(304,017)

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- (a) The amounts related to the caption "personnel" for the year 2020 were reorganized, according to the costs of electricity services and general and administrative expenses, with the purpose of apportioning them by nature of expense.
- (b) The depreciation and amortization related to the subsidiary Pirapora Energia S.A. for the year 2020 was relocated from the general and administrative expenses column to costs of electricity services, due to the nature of the expense.
- (c) These refer to donations, which carry, as a counter-entry, tax deductions related to Income Tax.
- (d) Correspond to amounts spent on sponsorships and philanthropic donations.
- (e) This is an appeal received from the São Paulo City Hall regarding the expropriation of part of the Company's land located on Avenida Miguel Yunes.

26 FINANCIAL RESULT

	Parent Company		Consolidated	
	2021	2020	2021	2020
Income				
Income from financial investments.....	11,431	10,893	12,265	11,391
Interest on leasing TEP Piratininga (Note 6).....	12,768	15,514	12,768	15,514
Financial assets - Sabesp (Note 19.1).....	5,296	5,986	5,296	5,986
(-) Taxes on financial income.....	(668)	(538)	(668)	(538)
Updating of Tax Credits	1,898	-	1,898	-
Others.....	102	183	125	189
	<u>30,827</u>	<u>32,038</u>	<u>31,684</u>	<u>32,542</u>
Expenses				
Interest.....	-	-	(824)	(4,652)
Others				
Charges on taxes and social contributions.....	(58)	(22)	(58)	(22)
Fuel Oil update.....	(363)	(194)	(363)	(194)
BNDES financial compensation - Early settlement (a).....	-	-	(776)	-
Interest on RGR.....	(488)	(576)	(488)	(576)
Other obligations - Investments in the concession (Note 19).....	-	(6)	(1)	(18)
	<u>(909)</u>	<u>(798)</u>	<u>(2,510)</u>	<u>(5,462)</u>
Monetary variation				
Monetary update TEP Piratininga (Note 6).....				
Financial assets - Sabesp (Note 19.1).....	93,794	95,307	93,794	95,307
Other monetary variations	10,099	5,057	10,099	5,057
Net monetary variations.....	932	488	932	488
	<u>104,825</u>	<u>100,852</u>	<u>104,825</u>	<u>100,852</u>
	<u>134,743</u>	<u>132,092</u>	<u>133,999</u>	<u>127,932</u>

- (a) During the year 2021, there was a recognition of R\$ 776 referring to the collection of a financial compensation fee, for the early settlement of the financing contract with the BNDES.



27 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 - Operations (a).....	05/09/2021	05/09/2022	40,000	393
General Civil Liability - Management Activities (b).....	12/05/2021	12/05/2022	70,000	589
Vehicle Insurance - Trucks (c).....	09/11/2021	09/11/2022	1,078	5
Operational Risk Insurance Pirapora (d).....	08/23/2021	08/23/2022	118,881	398
Business Insurance - Condominium (e).....	08/01/2021	08/01/2022	5,587	1
Aeronautical Insurance Reta - Drone (f).....	01/19/2022	01/19/2023	598	1
			236,144	1,387

- (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 collision, fire, theft, property damage, and personal injury involving trucks;
- (d) This refers to coverage against fire damage, lightning strike, and explosion affecting the equipment of SHP Pirapora;
- (e) This refers to coverage against fire, lightning, explosion, and rental loss insurance.
- (f) This refers to the Civil Liability coverage for damages caused to third-party vehicles under the Company's watch;
- (g) Refers to insurance for drone acquired by the Company.

28 FINANCIAL INSTRUMENTS

Classification of financial instruments

	Parent Company		Consolidated		Classification
	12.31.21	12.31.20	12.31.21	12.31.20	
Cash and cash equivalents (Note 4).....	2,549	859	2,549	1,948	Amortized cost
Financial investments (Note 4).....	296,759	506,843	308,523	516,766	Amortized cost
Distributors (Note 5).....	36,492	36,526	40,946	40,805	Amortized cost
Leasing TEP Piratininga (Note 6).....	365,022	396,101	365,022	396,101	Amortized cost
Other credits (Note 7).....	3,786	8,083	3,440	3,616	Amortized cost
Guarantees and tied deposits (Note 9).....	44,150	37,078	44,150	39,795	Amortized cost
Financial assets - Sabesp (Note 20.1).....	91,448	95,261	91,448	95,261	Amortized cost
Indemnifiable financial assets (Note 10).....	211,137	117,767	211,137	117,767	Amortized cost
Reversible assets of the concession (Note 11).....	195,374	195,374	195,374	195,374	Amortized cost
Suppliers.....	6,225	4,192	6,714	4,656	Amortized cost
Dividends and interest on equity.....	2,024	237,990	2,024	237,990	Amortized cost
Other obligations - GAM improvements (Note 18).....	283,411	204,475	283,411	204,475	Amortized cost
Financing (Note 14).....	-	-	-	66,361	Amortized cost

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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 (non-adjusted) 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 (derived from prices).

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, 2021 and 2020 are a reasonable approach to the fair values of the Company's financial assets and liabilities.

29 RISK MANAGEMENT

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

a. Capital structure risks

This results from the choice between equity and third-party capital that the Company and its subsidiary make, in order to fund their operations (capital structure). So as to mitigate liquidity risks and optimize the weighted average cost of capital, the Company and its subsidiary permanently monitor their debt levels in accordance with market standards.

A.1) Operations with derivative financial instruments

As at December 31, 2021 and 2020, the Company and its subsidiary did not hold derivative financial instruments or other similar instruments.

A.2) Credit Risk

The risk arises from the possibility of the Company incurring losses stemming from 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 deriving from supply revenues and electric energy quotas - the existence of contractual guarantees, the fact that they are public service concessionaires of energy distribution under federal supervision, also subject to intervention of the concession, and because there is no history of significant losses in receipt; and (2) for receivables deriving from income from provision of services - the relevance of their clients and prior credit analysis.

As at December 31, 2021, the Company and its subsidiary held cash and cash equivalents in the amount of R\$ 299,308 and R\$ 311,072, parent company and



consolidated, respectively (R\$ 507,702, parent company, and R\$ 518,714, consolidated, as at December 31, 2020), which are deposited with first-tier financial institutions.

As at December 31, 2021 and 2020, the main receivables with maximum credit risk exposure were:

	Parent Company and Consolidated	
	12.31.21	12.31.20
Financial Lease TEP Piratininga (Note 6).....	365,022	396,101
Indemnifiable financial assets (Note 10).....	211,137	117,767
Concession reversible assets (Note 11).....	195,374	195,374
Financial assets - Sabesp (Note 20.1).....	91,448	95,261
	<u>862,981</u>	<u>804,503</u>

The credit risk on finance lease receivables is assessed as low by the Company's Management, due to the absence of default track record and no expectation of loss.

The realization of the accounts receivable from the financial leasing of the Thermal Power Plant Piratininga is contingent on the financial capacity of the counterparty (Petrobras) to settle the payments within the contractual deadlines. Up to the reporting date of these financial statements, there has been no record of 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 this 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, 2021 and 2020, 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, 2021 and 2020, 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 - Effective interest rates for December 31, 2021, with CDI overnight rate at 10.65% p.a.

I-CVM 475	Balance 12.31.2021 Note 4	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
CDI		10.65%	13.31%	15.98%
Parent Company	296,759	31,605	39,499	47,422
Consolidated	308,523	32,858	41,064	49,302

I-CVM 475	Balance 12.31.2021 Note 4	Probable Scenario	Scenario I (-25%)	Scenario II (-50%)
CDI		10.65%	7.99%	5.33%
Parent Company	296,759	31,605	23,711	15,817
Consolidated	308,523	32,858	24,651	16,444

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 to the contract, and the interest on the negative balance as at December 31, 2021 was forecasted, referring to the amount of receivables for the scenarios with IGPM variations equivalent to 25% and 50%, either more or less.

I-CVM 475	Balance 12.31.2021 Note 6	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
IGPM	7.33%	17.33%	19.34%	21.34%
Lease UTP	365,022	63,270	70,582	77,895

I-CVM 475	Balance 12.31.2021 Note 6	Probable Scenario	Scenario I (-25%)	Scenario II (-50%)
IGPM	7.33%	17.33%	15.33%	13.33%
Lease UTP	365,022	63,270	55,957	48,645

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 fixed 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, 2021 was carried out,



referring to the amounts receivable for the scenarios with IPCA variations equivalent to 25% and 50%, up and down, either more or less.

I-CVM 475	Balance 12.31.2021 Note 22.1	Probable Scenario	Scenario I (+25%)	Scenario II (+50%)
IPCA	5.50%	14.22%	15.71%	17.20%
SABESP	91,448	13,008	14,370	15,731

I-CVM 475	Balance 12.31.2021 Note 22.1	Probable Scenario	Scenario I (-25%)	Scenario II (-50%)
IPCA	5.50%	14.22%	12.74%	11.25%
SABESP	91,448	13,008	11,647	10,286

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 mitigate liquidity risks.

The table below presents information on future maturities of the Company's financial liabilities.

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.....	6,713	-	-	-	-	6,713
Dividends/ IOE	9,138	-	-	-	-	9,138
Total	15,851	-	-	-	-	15,851

b. Hydrological Risk

With the extension of the concession of EMAE hydroelectric plants, under the terms of Law 12.783/2013, the hydrological risk of the plants has been transferred to the distributors acquiring power and energy quotas. PCH Pirapora, owned by its subsidiary, opted for the repactuation of the hydrological risk under Law 13,203/2015 in the product SP 100.

c. 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 RAG will be adjusted by the unavailability or performance assessed during the measurement period (60 months).



The prices for the trading of electricity by the subsidiary Pirapora are those determined by 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. 2.902, dated July 30, 2021, 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, 2021 to June 30, 2022.

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.	142,826	177,808	12,194	32,641	4,698	2,465	3,458	1,355	3,799	381,244
Porto Góes.....	4,040	4,700	289	582	-	-	150	37	98	9,896
Rasgão.....	3,454	3,440	256	481	-	-	123	29	78	7,861
	<u>150,320</u>	<u>185,948</u>	<u>12,739</u>	<u>33,704</u>	<u>4,698</u>	<u>2,465</u>	<u>3,731</u>	<u>1,421</u>	<u>3,975</u>	<u>399,001</u>

Source: REH 2.902/2021 Technical Note No. 156/2021

The AGR (Annual Generation Revenue) 2021/2022 has introduced the third adjustment of the first tariff revision, applied to the power generation 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 consists of 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 1.43% in relation to the previous AGR.

Recognition of GAM improvements as revenue, when performance covenants are met.

The performance covenants associated with GAM improvements relate to investments in infrastructure improvements in the Concession. The Company believes 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 the fact that it is entitled to receive the investment made so far, as long as it is made prudently, since the RAG is received on a monthly basis regardless 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 caption "Other Liabilities – Investments in the Concession", based on estimates of required and prudent investments prepared by the Company Management..

a) GAG O&M

GAG 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) GAG Melhorias

GAG 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 revenue earmarked for spending on rentals or investments in assets of a nonreversible nature such as: administrative assets, furniture, fixtures, vehicles, etc.

d) Ajl

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.

d. Regulatory risk

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

e. 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.



f. 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

EMA E'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 EMA E'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, EMA E 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.
- D- Specifically with respect to the subsidiary Pirapora Energia S.A, it should be noted that according to the Dam Classification Report - 2020 Cycle May 2021 Edition, the risk of the Pirapora Dam has changed from Risk Class "A" to Class



"B". As regards EMAE's Dams, we inform that they are classified in risk classes "B" and "C".

g. Risk related to the development of activities in the main metropolitan regions of the State

EMAE'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 on the Company, from a social, environmental and operational point of view.

h. 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.

i. 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.

j. Actuarial deficit coverage risk

As informed in the explanatory note 16 - 16 PENSION ENTITY FOR EMPLOYEES, 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 review.

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 only the Defined Contribution Plan, 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. On April 7, 2021, PREVIC - National Superintendency of Complementary Social Security published in the Official Gazette of the Union, approving the regulatory changes in the PSAP/EMAE plan, which enables the change of the plan's indexing factor from IGP-DI to IPCA as of May 01, 2021.

30 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.



31 NON-CASH ALTERATIONS

During fiscal 2021, the Company and its subsidiary conducted the following non-cash transactions:

Parent Company			
	12.31.20	Cash Flow	Non-Cash Alterations
Lease UTP.....	(396,101)	137,640	(106,561)
Indemnifiable financial assets.....	(117,767)	(99,667)	6,297
Investments.....	(96,996)	(39,252)	(27,938)
Property, Plant and Equipment.....	(78,683)	(1,122)	1,042
Intangibles.....	(7,730)	(3,503)	686

Consolidated			
	12.31.20	Cash Flow	Non-Cash Alterations
Lease UTP.....	(396,101)	137,640	(106,561)
Indemnifiable financial assets.....	(117,767)	(99,667)	6,297
Property, Plant and Equipment.....	(227,463)	(3,988)	5,219
Intangibles.....	(7,999)	(3,503)	764
Financing.....	66,361	(67,961)	1,600

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EXECUTIVE BOARD

MARCIO REA
CHIEF EXECUTIVE OFFICER

PABLO ANDRÉS FERNÁNDEZ UHART
CHIEF FINANCIAL AND INVESTOR RELATIONS OFFICER

PAULO ERNESTO STRAZZI
ADMINISTRATIVE OFFICER

ITAMAR RODRIGUES
GENERATION OFFICER

FÁBIO TONETTO
ACCOUNTING, COSTS AND
FISCAL COORDINATOR
ACCOUNTANT - CRC 1SP264253/O-4

BOARD OF DIRECTORS

CHAIRMAN

LUIZ CARLOS LUSTRE

MEMBERS

MARCIO REA

EDUARDO DE FREITAS TEIXEIRA

THEODORO DE ALMEIDA PUPO JR.

RUI DE BRITO ALVARES AFFONSO

PAULO FERREIRA

SERGIO RICARDO CIAVOLIH MOTA

RITA JOYANOVIC

ZEVI KANN

ROBERTO BRIGIDO DO NASCIMENTO

DOUGLAS TADEU LLAMBIAS CAETANO

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, 2021

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, related to the fiscal year ending December 31, 2021, having discussed these financial statements with the areas of Accounting, Budget and Finance, Costs and Controlling, as well as with the independent auditors, who have provided their report without reservations.

Based on the abovementioned information, discussions, and analysis, the Audit Committee has examined the audited financial statements of EMAE - Empresa Metropolitana de Águas e Energia S/A and its Subsidiary, for the fiscal year ending December 31, 2021, as well as the corresponding Management Report, and considers them suitable for consideration by the Board of Directors, and hereby recommends their approval.

São Paulo, March 23, 2022.

Eduardo de Freitas Teixeira
Supervisor and Independent Member

Benedito Alfredo Baddini Blanc
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, 2021, which were prepared in accordance with the principles established in chapters XV and XVI of the aforementioned legal document, comprising: Management Report and Annual Corporate Governance Report, along with the proposition for allocation of the net income for the year, Financial Statements, Balance Sheets, Statements of Income, Statements of Comprehensive Results, Statements of Changes in Shareholders' Equity, Statements of Cash Flows, Statements of Added Value, Explanatory Notes, and the Independent Auditors' Report.

Antonio José Imbassahy da Silva

Fábio Guimarães Serra

Luiz Alberto Meirelles B. B. Junior

Marcelo Gomes Sodré

Nanci Cortazzo Mendes Galuzio

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

It is the Opinion.

São Paulo, March 23, 2022.

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 December, 2021, and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding explanatory notes, including a summary of the significant accounting policies. In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of EMPRESA METROPOLITANA DE ÁGUAS E ENERGIA S.A. - EMAE as at December 31, 2021, 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 still 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.

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.

As mentioned in Note 16, 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 is the entity responsible for the administration of the benefit plans sponsored by the Company. In 2021, 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\$ 112.733,000 (R\$ 290,763,000 as at December 31, 2020), due to the growth of the actuarial deficit of EMAE's pension plans, caused mainly by the increase in the value of the benefits, which had a strong mismatch in relation to the yield of the plan's assets. Additionally, we inform that on April 07, 2021 PREVIC authorized a change in the indexer for the plan's benefits, adopting the IPCA as of May 2021. In the actuarial evaluation of the plan, the projected unit credit method was used. The net assets of the benefit plan are valued at market values (mark-to-market).

How our audit addressed this matter

With the assistance of an expert, our audit procedures included, among others: 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.

Other obligations - Investment in the Concession

As mentioned in Note 19, 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. 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\$ 9,064,000 and R\$ 274,347,000 in Current and Noncurrent Liabilities, respectively, in the year ended December 31, 2021. Between January 1, 2013 and December 31, 2021 the Company invested an amount of R\$ 205 million, seeking modernization, efficiency and the mitigation 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.

Deferred Taxes

According to Explanatory Note 8.2, the Company recognized the tax effects of temporary differences, and tax losses on Income Tax and Social Contribution. The recognition of deductible temporary differences is included in the Pronouncement CPC 32 and CVM Deliberation No. 599/2009, which are supported by a projection of results prepared by Management. The determination of Deferred Tax Assets for temporary differences and tax losses requires annual revaluation to identify unrecognized amounts and the likelihood of recovery with future taxable income.

The amounts referring to temporary differences are obtained through the controls of the balances of doubtful receivables, provision for the realization of investments with funds received for investments in the Concession, the labor, civil and tax contingencies, the gain on the leasing operation of UTE Piratininga, the financial assets related to the agreement with Sabesp, the defined benefit plan, among other provisions that may be deducted for tax purposes, only when they are realized. We consider this to be one of the main audit matters, in view of the risk related to the manual controls of the provisions of the audited company, the materiality of the amounts recognized, and the uncertainty of liquidity of these assets.

How our audit addressed this matter

With the assistance of our tax experts, some procedures were carried out in accordance with the regulations of the Securities and Exchange Commission, in effect, and we have also evaluated the technical study that supports the accounting record of tax credits, according to the regulatory context applicable to this matter, as well as the contextualization, analyses, assumptions, and other data, which make up the information required by the regulatory and supervisory Body, and the Income Tax and Social Contribution legislation.

Based on the evidence obtained through the procedures described above, we consider acceptable the projections of results, which are the basis for recording the deferred tax assets, the criteria and assumptions adopted by Management to estimate and calculate the Deferred Tax Assets, and the disclosures made in the context of the financial statements adopted.

Right to Receive - UTE Piratininga Lease

As mentioned in Explanatory Note 6, the Company and Baixada Santista S.A., a subsidiary of Petróleo Brasileiro S.A., hold a Private Instrument for Leasing the UTE Piratininga Assets ("Lease"), signed on April 27, 2007, for a period of 17 (seventeen) years, with remuneration of R\$ 45 million per year, payable in semiannual installments, adjusted by the General Market Price Index (IGP-M), as from the second year, with the consequent transfer of the rights to explore electric power generation. The lease contains a resolutive clause, in the event that a new authorizing act is not issued, together with the settlement of the pending obligations. However, BSE has assumed the obligation to return the leased assets, at the end of the seventeen-year term, "in the condition of use and conservation in which it received them, considering the depreciation and technological innovations inherent to the development of the operation of the Contract", and the Company is entitled to compensation in case 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 by the Granting Authority and by BSE, exceeds the amounts to be received for the installments of the finance lease with BSE.

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.

We consider that the assumptions and valuation methodology used are acceptable, considering the practices used in the market, and the accounting standards in force for leasing contracts, in the context of the financial statements.

Other matters: Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2021, 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 taken jointly..

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, omissions, or intentional misrepresentations;

- 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 adequacy of the accounting policies used and the reasonability of the accounting estimates and corresponding disclosures made by Management.
- Concluded on the adequacy 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 for operational continuity 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 maintain an operational continuity;
- 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 08, 2022.

RUSSELL BEDFORD BRASIL
AUDITORES INDEPENDENTES S/S
2 CRC RS 5.460/0-O "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, 2021; 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, 2021.