UTE GNA II Geração de Energia S.A.

Financial statements for the year ended on December 31st, 2020 and 2019

Contents

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Independent Auditors' report on Financial Statements

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

To the Board of Directors and Management of

UTE GNA II Geração de Energia S.A.

Rio de Janeiro - RJ

Opinion

We have audited the financial statements of UTE GNA II Geração de Energia S.A. ("the Company"), which comprise the balance sheet as of December 31, 2020, and the statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company, as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Emphasis - Pre-operational phase

As mentioned in Note 1 to the Financial Statements, the Company is in the pre-operating phase and, consequently, has no cash flow generated for its activities. Therefore, the investments and expenses incurred by the Company are being honored through financial support from its shareholders. The financial statements should be read in this context. Our opinion is not qualified in relation to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for preparing and presenting the 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) and for the internal controls that it determined as necessary to enable the preparation of financial statements free of material misstatement, whether due to fraud or error.

In the preparation of the financial statements, management is responsible for assessing the Company's ability to continue operating, disclosing, when applicable, the matters related to its operational continuity and the use of this accounting base in the preparation of the financial statements, unless the management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid the closure of operations.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 it is not a guarantee that the examination performed in accordance with Brazilian and international standards on auditing will always detect possible existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the examination performed in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the one deriving from error, as fraud may involve the act of circumventing internal control, collusion, forgery, omission or deliberate false representations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are substantiated by the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a compatible manner with the objective of a true and fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, March, 27, 2021
KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Original in Portuguese signed by

Juliana Ribeiro de Oliveira
CRC RJ-095335/O-0

UTE GNA II Geração de Energia S.A.

Balance sheets as of December 31st, 2020 and 2019

(In thousands of Reais)

	Note	2020	2019
Current Assets			
Cash and cash equivalents	9	3,640	145
Accounts receivable	10	21	27
Advancements		-	66
Prepaid expenses	11	12,170	3,175
Recoverable taxes	12	14	1
Recoverable income tax and social contribution	12	5	-
Total current assets		**15,850**	**3,414**
Non-current			
Prepaid expenses	11	3,901	6,503
Deferred taxes	13	16,984	-
Property plant, and equipment	14	24,390	8,704
Intangible assets	15	21	-
Total non-current assets		**45,296**	**15,207**
Total assets		**61,146**	**18,621**

The notes are an integral part of the financial statements.

UTE GNA II Geração de Energia S.A.

Balance sheets as of December 31st, 2020 and 2019

(In thousands of Reais)

	Note	2020	2019
Current Liabilities			
Suppliers	16	834	1,698
Accounts payable	10	47,650	24,417
Taxes and contributions payable	17	611	1
Income tax and social contribution payable	17	2	-
Total current liabilities		**49,097**	**26,116**
Non-current			
Accounts payable	10	1,553	-
Total non-current liabilities		**1,553**	**-**
Shareholders´equity	18		
Share capital		3	2
Advance for future capital increase		43,469	13,677
Accumulated losses		(32,976)	(21,174)
Total shareholders' equity		**10,496**	**(7,495)**
Total liabilities and shareholders' equity		**61,146**	**18,621**

The notes are an integral part of the financial statements.

UTE GNA II Geração de Energia S.A.

Statements of income or loss

December 31st, 2020 and 2019

(In thousands of Reais)

	Note	2020	2019
Operating expenses			
General and administrative expenses	19	(28,795)	(19,872)
Other losses	9	(2)	-
Net income before financial result (expenses)		**(28,797)**	**(19,872)**
Net financial result	20		
Finance income		79	2
Financial expenses		(66)	(3)
Loss before taxes		**(28,784)**	**(19,873)**
Current income tax and social contribution	13	(2)	-
Deferred income tax and social contribution	13	16,984	-
Loss of the year		**(11,802)**	**(19,873)**

The notes are an integral part of the financial statements.

UTE GNA II Geração de Energia S.A.

Statements of comprehensive income or loss

December 31st, 2020 and 2019

(In thousands of Reais)

	2020	2019
Loss of the year	(11,802)	(19,873)
Other comprehensive income or loss	-	-
Total comprehensive loss of the year	**(11,802)**	**(19,873)**

The notes are an integral part of the financial statements.

UTE GNA II Geração de Energia S.A.

Statements of changes in shareholders´equity

December 31st, 2020 and 2019

(In thousands of Reais)

		Capital Reserve		
	Share capital	Advance for the future capital increase	Accumlated losses	Shareholders' equity
Balance on January 1st, 2019	**2**	**13,677**	**(1,301)**	**12,378**
Loss of the year	-	-	(19,873)	**(19,873)**
Balance on December 31st, 2019	**2**	**13,677**	**(21,174)**	**(7,495)**
Loss of the year	-	-	(11,802)	**(11,802)**
Capital increase - Siemens	1	-	-	**1**
Conversion of mutual in AFAC - Infra	-	20,766	-	**20,766**
Advance for future capital increase - Infra	-	9,026	-	**9,026**
Balance on December 31st, 2020	**3**	**43,469**	**(32,976)**	**10,496**

The notes are an integral part of the financial statements.

UTE GNA II Geração de Energia S.A.

Statements of cash flows

December 31st, 2020 and 2019

(In thousands of Reais)

	2020	2019
Cash flows from operating activities		
Loss before taxes	(28,784)	(19,873)
Adjustments for:		
Depreciation and amortization	1	-
Reduction in impairment and other losses	2	-
Exchange variation	(34)	-
Adjusted net losses	**(28,815)**	**(19,873)**
(Increase) decrease in assets and increase (decrease) of liabilities:		
Recoverable taxes	(20)	(1)
Prepaid expenses	(6,393)	2,405
Advancements	66	(66)
Accounts receivable	4	(27)
Suppliers	(830)	1,553
Accounts payable	24,786	19,061
Taxes and contributions payable	612	-
Net cash provided by (used in) operating activities	**(10,590)**	**3,052**
Cash flows from investment activities		
Acquisition of PP&E	(15,686)	(4,515)
Acquisition of intangible assets	(22)	-
Net cash used in investing activities	**(15,708)**	**(4,515)**
Cash flow from financing activities		
Capital increase - Siemens	1	-
Conversion of mutual in AFAC - Infra	20,766	-
Advance for future - Infra	9,026	-
Mutual received - GNA HoldCo	-	1,588
Net cash provided by financing activities	**29,793**	**1,588**
Increase in cash and cash equivalents	**3,495**	**125**
At the beginning of the year	145	20
At the end of the year	3,640	145
Increase in cash and cash equivalents	**3,495**	**125**

The notes are an integral part of the financial statements.

Notes to the financial statements
(In thousands Reais, unless stated otherwise)

1 Operations
UTE GNA II Geração de Energia SA ("GNA II" or "Company") was incorporated on October 21st, 2015 and on April 8th, 2019, the legal type of the Company was changed from a limited liability company to a privately held company, changing its corporate name from UTE GNA II Geração de Energia Ltda. to UTE GNA II Geração de Energia SA. Owned as controllers Prumo Logística SA ("Prumo") and Gás Natural Açu SA ("GNA HoldCo") until October 2020. On November 25th, 2020, the transfer of the shares of GNA II that were from Prumo to GNA HoldCo, then there was the transfer of GNA HoldCo to Gás Natural Infraestrutura SA ("GNA Infra") and soon thereafter new shares were subscribed for Siemens Participações SA ("Siemens").

In December 2017, "GNA II" won the A-6 auction, a project for a thermal plant with a capacity of 1,672.6 MW* that will demand investments of R$ 5.6 billion, with an estimated start of operations in 2024. On October 20th, 2020, ANEEL's board unanimously approved:

i) Change the implementation schedule for GNA II, in order to concatenate with the implementation schedule for fields 2 - 500 kV* substation, considering the 9 (nine) month deadline for commissioning the Plant;

ii) Concatenate the respective Contracts for the Sale of Energy in the Regulated Environment ("CCEAR"), so that the start of supply is shifted in 9 (nine) months after the effective commercial operation date of the Campos 2 - 500 kV substation * , being after January 1st, 2023, and thus, postponing the start and end dates of the CCEARs, preserving the balance and the contractual term;

iii) Link the obligation to pay the Charges and Use of Transmission Systems ("EUST") associated with GNA II to the availability of the Campos 2 substation facilities;

iv) Limit the concatenation periods referred to in items (i) and (ii) to a maximum of 9 (nine) months after the contractual term for the commercial operation of Campos 2 - 500 kV substation *, defined as March 22nd, 2024.

In November 2020, UTE GNA II entered into a long-term financing contract in the amount of R $ 3.930 billion with the National Bank for Economic and Social Development (BNDES) for the construction of the thermoelectric plant. The contract is divided into 3 tranches: the first referring to expenses with national services and equipment with interest of IPCA + 4.64%, the second and third referring to imported equipment without national similar with interest of IPCA + 5.45% and IPCA + 8.00%.

(*) Unaudited information

a. COVID-19

On March 11st, 2020, the World Health Organization declared that the coronavirus outbreak is characterized as a pandemic. The consequences of the pandemic increased the degree of uncertainty for economic agents and there are direct and indirect impacts, among them the main one being a delay in relation to the original schedule, with the start of works expected for the second half of 2021. The project schedule and commercial conditions with the main suppliers are being revised in order to mitigate potential future financial impacts on the project that have not materialized to date.

At the federal level, Decrees No. 10,282/20, 10,292/20 and 10,329/20 dealt with the activities of electricity generation (including the respective engineering works), oil and gas and cargo logistics as essential activities that need to continue operating during a state of exception.

All companies in the GNA Group (GNA HoldCo, GNA Infra, GNA I e GNA II) have implemented special operating regimes to minimize the chances of total stops of their activities, as well as other measures to minimize the contagion of their employees.

A Crisis Management Committee was implemented involving all companies of the GNA Group to identify risks to operations and business continuity, evaluate different scenarios and draw up action plans to mitigate the risks raised. In this committee, 5 working groups were created to focus on specific topics:

- Safety, Environment and Emergency Response;
- People, Health and Internal Communication;
- Market and Customers;
- Finance, Controllership and Treasury; And
- Operations and Supplies.

Since then there is a daily monitoring of the main risks raised by each of these groups, including, among others, impacts related to:

- supply chain and demand for products or services;
- ability to honour with payment commitments;
- credit risk: default or requests for contractual renegotiation;
- company's ability to keep operations in full operation; And
- reduction of productivity of employees and stakeholders related to health and safety issues.

Several preventive measures have been and continue to be adopted in each of the Group's companies.

The management of GNA II has been negotiating with financing agents, in a scenario of continuing the project without changes in business continuity.

b. SPIC Brazil

On August 7th, 2020, SPIC Brasil, a subsidiary of State Power Investment Corporation of China (SPIC), signed a binding contract to acquire 33% of the thermoelectric projects UTE GNA I Geração de Energia S.A. (GNA I) and GNA II. The two natural gas plants will have an installed capacity of 3 gigawatts (3 GW *) and belong to Gás Natural Açu SA (GNA Holdco), a joint venture between Prumo Logística SA (controlled by EIG), BP Global Investments (BP) and Siemens Participações SA The closing of the contract was subject to the fulfillment of certain conditions precedent common to this type of transaction which were fully complied with in January 2021.

(*) Unaudited information

Licenses

The Company has preliminary environmental licenses for up to 1.7 GW in thermoelectric in combined-cycle thermoelectric.

Description	Document	Date of andmission	Duration
Vegetation Suppression authorization of 4.27 ha of shrubby restinga in the middle stage of regeneration.	ASV No. 20339202005699	01/14/2020	-
Installation License for natural gas-powered Thermal Power Plant, called UTE GNA Port of Açu III, with an installed capacity of 1,672.6 MW in combined cycle.	LI NO. IN050962	01/16/2020	01/16/2025
Ambiental Authorization for Wildlife Survey in the installation region of the LT-500 kV Açu-Campos Transmission Line.	AA No. IN006481	05/21/2020	05/21/2022
Vegetation Suppression Authorization of 0.282 ha of restinga vegetation located at Fazenda Saco Dantas, S/N, São João da Barra - RJ (Açu Industrial Complex).	ASV No. 20339202012821	05/25/2020	05/25/2022
Prior and Installation License for temporary construction site in an area of approximately 159,000 m² (phase 3) in the Açu Natural Gas Thermoelectric Park.	LPI N° IN006749	06/25/2020	06/25/2026
Prior license for the implementation of a transmission line of 500kV Açu - Campos 2, with 37.42km of extension and servitude range of 64 meters, which aims to connect the power plant UTE GNA Port of Açu III (Special Sector of the Port of Açu - SEPA) to the SUBSTATION SE Campos 2 - 500kV.	LP No. IN051729	11/05/2020	11/04/2025
The object is changed to: Installation of natural gas-powered thermoelectric power plant, called UTE GNA Port of Açu III (UTE GNA II), with installed capacity of 1,672.6MW in combined cycle, Substation 500kV (SE UTE GNA II) and Interconnection Substation.	AVB004488 (Averba to LI Nº IN050962)	11/10/2020	01/16/2025
Validity condition No. 26: 26- Enter into an Environmental Compensation Commitment Term (TCCA), in accordance with State Law No. 6,572/2013, amended by State Law No. 7,061/2015 and Inea Resolution No. 127/2015, prior to the eventual issuance of the Installation License, in compliance with article 36 of Law No. 9,985, of 07.18.2000, published in the D.O.U. of 07.19.2000. For the purpose of environmental compensation, the amount corresponding to 0.36036% of the total value of investments for the implementation of the enterprise should be applied, not included in the calculation of environmental compensation the items provided for in paragraph 1 of Article 1 of State Law No. 6,572/2013	AVB004504 (Averba a LP Nº IN051729)	11/26/2020	11/04/2025

c. Going concern

The Project of GNA II aims to build a combined gas cycle thermal power plant with a capacity of 1,672.6 MW*, which in addition to being part of the development of the so-called “Açu Gás Hub”, strategically located in the northeast of the state of Rio de Janeiro, which aims to offer an efficient logistics solution for the marketing and consumption of natural gas and its products.

The Company recorded a loss in the amount of R$11,802 for the year ended December 31st, 2020 (R$19,873 on December 31st, 2019), and on that date, current liabilities exceed current assets by R$33,247 (Current net negative capital of R$22,702 as of December 31st, 2019). As a result of this situation, Management assessed whether the Company will have funds available to continue operating in the foreseeable future. The Company's assessment considered the following factors:

- On February 21st, 2020, the company signed or agreed with shareholders who have regular use of GNA II governance, as well as the commitment of participation of its shareholders through the capital increase and AFAC. The shareholders' agreement was updated in January 2021 as part of the closing of SPIC's 33% acquisition of GNA II.

- The Company obtained approval from the BNDES of R $ 3.93 billion for the construction of the thermoelectric plant, as informed in note 1 Operational context.

- Signing of technical and commercial agreements signed for the construction and implementation of the thermoelectric project. These contracts were signed in January 2020, but some commercial clauses are being discussed, as explained in note 23:

  - **Engineering, Procurement and Construction (EPC) -** Celebrated between, on one side, GNA II, and, on the other, Siemens Aktiengesellschaft, Andrade Gutierrez Engenharia S.A. and AG Construções e Serviços S.A., on January 21st, 2020, whose scope is the implementation of a combined cycle thermoelectric power plant, natural gas, in the locality of The Port of Açu Porto do Açu, in the municipality of São João da Barra, State of Rio de Janeiro.

  - **Operation and Maintenance (O&M) -** Celebrated between, on one side, GNA II, and, on the other, Simens Ltda. and Siemens Energy, Inc., on January 21st, 2020, whose scope is the supply of spare parts and the provision of operation and maintenance services for the combined cycle thermoelectric plant, using natural gas for a period of 25 years.

  - **Long Term Maintenence Program (LTMP) –** Celebrated between, on the one hand, GNA II, and, on the other, Siemens Energy, Inc., Siemens Power Generation Service Company, Ltd. and Siemens Ltda., On January 21st, 2020, whose scope is the provision of maintenance services for gas turbines, steam turbines and generators, as well as the supply of related parts and components, for a period of 25 years, referring to the combined cycle thermoelectric plant, with natural gas.

  - **Sale and Purchase Agreement (SPA) –** Celebrated between GNA II and BP Gas Marketing Limited on January 21st, 2020, whose scope is the purchase and sale / supply of liquefied natural gas (LNG), which will be supplied by the Floating Storage and Regasification Unit (FSRU) chartered by UTE GNA I Geração de Energia SA for the supply of natural gas.

  - **Allocation agreement (AA) –** Contract signed between BP Gas Marketing Limited, UTE GNA I Geração de Energia S.A. and GNA II on January 21st, 2020, whose scope is the definition of procedures for managing the LNG inventory stored at FSRU.

In addition to these factors, the Management's evaluation also considered the Company's business plan, which was prepared based on technical feasibility studies that indicate, in view of contracts already signed with fixed revenues, the full capacity to recover accumulated losses and the beginning of the construction of the thermoelectric plant scheduled for mid-2021.

The Company's financial statements were prepared based on operational continuity.

(*) Unaudited information

2 Basis of preparation and presentation of the financial statements

Compliance statement (with respect to IFRS and CPC standards)
The financial statements haven been prepared in accordance with international accounting standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and also the accounting practices adopted in Brazil (BR GAAP).

The issuance of these financial statements was authorized by the Company's management on March 27th, 2021.

Details on the Company's accounting policies are presented in note 6.

3 Basis of preparation

The financial statements have been prepared based on historical cost basis, with the except for financial instruments measured at fair value through the profit or loss.

4 Functional currency

The financial statements are presented in Reais, which is the company's functional currency. All balances were rounded to the nearest thousand, unless stated otherwise.

5 Use of judgment and estimates

Judgments, estimates and assumptions are used to measure and recognize certain assets and liabilities in the Company's Financial Statements. The determination of these estimates took into account experiences from past and current events, assumptions related to future events and other objective and subjective factors.

Information on the uncertainties related to judgments and estimates as of December 31st, 2020 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the next fiscal year are included in the following notes:

• **Note 13** - recognition of deferred income and social contribution taxes and availability of future taxable income against which temporary differences and tax losses can be used.

6 Main changes in accounting policies

A series of new standards came into effect as of January 1st, 2020, but did not materially affect the Company's financial statements. Among them: changes to CPC 15 / IFRS 3, changes to CPC 26 / IAS 1 and CPC 23 / IAS 8 and changes to CPC 48 / IFRS 9, CPC 08 / IAS 39 and CPC 40 / IFRS 7.

7 Main accounting policies

The Company applied the accounting policies described below consistently to all the fiscal years presented in these financial statements, unless otherwise stated.

a. Financial instruments

(i) Financial assets

The financial asset includes cash and cash equivalents and accounts receivable between related parties.

The Company initially recognizes receivables on the date they were originated. All other financial assets are initially recognized when the Company becomes a party
contractual provisions of the instrument.

Accounts receivable from related parties without a significant financing component are initially measured at the transaction price.

The Company ceases to recognize a financial asset when the contractual rights to the asset's cash flows expire, or when the Company transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all of the risks and benefits of the ownership of the financial asset are transferred, or in which the Company does not transfer or retain substantially all the risks and benefits of ownership and does not control the financial asset.

(ii) Financial Liabilities

Financial liabilities are classified as measured at amortized cost or VJR.

b. Property, plant and equipament

Recognition and measurement

Fixed assets items are measured at historical acquisition or construction cost, which includes capitalized loans costs, less accumulated depreciation and any losses accumulated due to impairment.

The cost includes expenses that are directly attributable to the acquisition of an asset. The cost of assets built by the Company itself includes the cost of materials and direct labor; any other costs to bring the asset to the location in conditions necessary for it to be able to operate in the manner intended by Management.

The Company will classify as civil works in progress all civil works that took place during the construction and installation phase until the moment they enter into operation, when they will be reclassified to the corresponding accounts of assets in operation.

c. Intangible

Intangible assets are demonstrated by acquisition costs, deducted from accumulated amortization and impairment losses, when applicable.

The estimated useful lives of the intangible asset are as follows:

Software Use License	5 years old

d. Income tax and social contribution

Income tax and social contribution of the current and deferred year are calculated based on rates of 15%, plus an additional 10% on taxable profit in excess of R$ 240 for income tax and 9% on taxable profit for social contribution on net profit, and consider the offsetting of tax losses and negative base of social contribution, limited to 30% of taxable profit.

The expense for income tax and social contribution comprises current and deferred income taxes and social contribution. Current tax and deferred tax are recognized in income, unless they are related to the business combination or to items directly recognized in equity or other comprehensive income.

Expensive of current income tax and social contribution

The expense of current tax is the tax payable or receivable estimated on taxable profit or Loss of the year, and any adjustment to taxes payable in respect of prior years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability by the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their calculation, if any. It is measured based on the tax rates enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

Expenses of current income tax and deferred social contribution

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for the purposes of financial statements and those used for taxation purposes.

A deferred tax asset is recognized in relation to unused tax losses and deductible temporary differences, to the extent that future taxable profits are likely to be available, against which they will be used. The probability of recovery of these balances is reviewed at the end of each fiscal year and, when future tax bases are not more likely to be available and allow full or partial recovery of these taxes, the asset balance is reduced to the amount expected to recover.

e. Provisions

Provisions are recognized, based on a past event, when there is a legal or constructive obligation that can be reliably estimated, and it is likely that an economic resource will be required to settle the obligation. When applicable, provisions are calculated by discounting expected future disbursement cash flows at a rate that considers current market assessments and specific risks to the liability.

f. Financial income and expenses

Interest income and expense are recognized in the income statement using the effective interest method.

g. Fair value measurement

Fair value is the price that would be received for the sale of an asset or would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, in the main market or, in its absence, in the most advantageous market to which the Company has access on that date. The fair value of a liability reflects its risk of non-performance.

A number of the Company's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities.

When available, the Company measures the fair value of an instrument using the price quoted in an active market for that instrument. A market is considered to be an asset if transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no price quoted in an active market, the Company uses valuation techniques that maximize the use of relevant observable data and minimize the use of unobservable data. The chosen valuation technique incorporates all the factors that market participants would take into account when pricing a transaction.

If an asset or liability measured at fair value has a purchase price and a sale price, the Company measures assets based on purchase prices and liabilities based on sale prices.

The best evidence of the fair value of a financial instrument at initial recognition is usually the price of the transaction - that is, the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced either by a price quoted in an active market for an identical asset or liability or based on a valuation technique for which any unobservable data are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at the fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, this difference is recognized in income, on an appropriate basis over the life of the instrument, or until such time as the valuation is fully supported by observable market data or the transaction is closed, whichever occurs first.

h. Foreign currency

Transactions in foreign currency
Transactions with foreign currencies are converted into the functional currency of Company by exchange rates on the transaction dates.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are converted again to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are converted again to the functional currency at the exchange rate on the date that the fair value was determined Non-monetary items that are measured based on historical cost in foreign currency are translated using the exchange rate on the date of the transaction. Foreign currency differences resulting from the conversion are generally recognized in the income statement.

8 Standards issued but not yet in effective

A series of new standards will be effective for fiscal years beginning after January 1st, 2020.

The Company is assessing the impacts of the following standards and interpretations, and it is not expected to have a significant impact on the financial statements:

- Onerous contracts - costs to fulfill a contract (changes to CPC 25/IAS 37).
- Reference interest rate reform - Phase 2 (changes to CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16).
- Rent concessions related to COVID-19 (amendment to CPC 06/IFRS 16).
- Fixed assets: Revenues before intended use (changes to CPC 27/IAS 16).
- Reference to Conceptual Structure (Changes to CPC 15/IFRS 3).
- Classification of Current or Non-Current Liabilities (Changes to CPC 26/ IAS 1 and CPC 23 / IAS 8).
- IFRS 17 Insurance Contracts.

9 Cash and cash equivalents

	2020	**2019**
Cash and banks	15	10
Financial investments		
Financial investments (a)	3,628	135
	3,628	**135**
	3,643	**145**
Expected loss provision (b)	(3)	-
Total	**3,640**	**145**

(a) The balance of financial investments as of December 31st, 2020 consists of CDBs at Santander, which are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

(b) The estimated financial losses were calculated based on the loss rates of a Corporate Default study published by S&P on April 7th, 2020, referring to 15 years of data collected by the company on the default risk of companies at each rating level.

Cash and cash equivalents are held with bank and financial counterparties, which have been grouped into 5 levels, separated between AAA and BB according to their rating at Fitch Ratings, Moody's and Standard & Poor's. As shown in the table below, the counterparties in which the Company has outstanding balances on December 31st, 2020 are classified as AAA, based on the average of their ratings in the rating companies listed above.
The estimated cash and cash equivalent loss position was calculated based on the expected loss rate of 12 months and reflects the maturity periods of the risk exposures:

Risk Level	**Rating**	**Gross Balance**	**Loss rate (1)**	**Loss Provision**
Level 1	AAA	3,628	0,01%	(3)

Loss Rate considers the Global Corporate Average Default Rate for 1 year released by S&P on 04/07/20.

The movement of the estimated loss in the year 2020 was:

Balance as of January 1st, 2019	**-**
Addition	-
Balance at December 31st, 2019	**-**
Addition	(2)
Balance at December 31st, 2020	**(2)**

10 Related parties

The Company adopts the Corporate Governance practices recommended and/or required by law. The Company's Corporate Governance Policy determines that the members of the Board of Directors must monitor and manage potential conflicts of interest of the executives, members of the Board and the Partners, in order to avoid the inappropriate use of the Company's assets and, especially, abuses in transactions between related parties.

In accordance with the Brazilian Corporation Law, the members of the Company's Board of Directors are prohibited from voting at any Board Meeting or acting in any operations or businesses in which they have conflicting interests with those of the Company.

The main balances of assets and liabilities as of December 31st, 2020 and 2019, related to transactions with related parties, as well as the transactions that influenced the result for the period, are due to the Company's transactions with its management members and other related parties, as follows:

	2020	2019
Assets:		
Accounts receivable		
GNA Infra - Direct shareholder (a)	13	27
GNA HoldCo - Indirect shareholder (a)	2	-
UTE GNA I - Shareholder's charge (a)	6	-
Total assets	**21**	**27**
Liability:		
Accounts payable		
GNA HoldCo - Indirect shareholder (a)	6,946	5,977
GNA Infra - Direct shareholder (a)	2,565	1,545
UTE GNA 1 - Shareholder's charge (a)	38,139	14,227
Prumo Logística S.A - Parent company of the indirect shareholder (b) e (c)	1,548	1,540
Porto do Açu Operações S.A - Shareholder investee (b)	5	5
Lakeshore - Key shareholder staff member (d)	-	1,123
Total	**49,203**	**24,417**
Accounts receivable		
Current	21	27
Non-current	-	-
Total	**21**	**27**
Accounts payable		
Current	47,650	24,417
Non-current	1,553	-
Total	**49,203**	**24,417**

Result: **Shared costs**	2020	2019
GNA HoldCo - Indirect shareholder (a)	(2,555)	(3,294)
GNA Infra - Direct shareholder (a)	(710)	(1,284)
UTE GNA 1 -Onslaught (a)	(23,906)	(14,227)
Prumo Logística S,A - Parent company of the indirect shareholder (b)	(7)	(6)
Porto do Açu Operações S,A - Shareholder investee (b)	-	(5)
Total	**(27,178)**	**(18,816)**

(a) Agreement for sharing personnel expenses and other expenses between the GNA group companies;

(b) Acknowledgement of personnel expenses and other general expenses incurred between GNA II x Porto do Açu x Prumo;

(c) Purchase of operating license from Eneva S.A. through Prumo;

(d) Financial advice for auction and financing.

The amounts related to the remuneration of the Management members are shown below:

	2020	2019
Officers		
Shared expenses with board fees (a)	(1,955)	(1,517)
Total	**(1,955)**	**(1,517)**

(a) Amounts related to expenses with management at the companies GNA HoldCo, GNA Infra and UTE GNA I and which were transferred to the Company.

11 Prepaid expenses

	2020	2019
Insurance premium (a)	6,502	9,102
Transaction cost (b)	9,569	576
Total	**16,071**	**9,678**
Current	12,170	3,175
Non-current	3,901	6,503
Total	**16,071**	**9,678**

(a) Insurance premiums as per the ANEEL 005/2017 auction notice requirement.

(b) Transaction cost to obtain financing from the thermal. The amounts are presented in current assets until the effective raising of financing resources, where they will then, from that moment, be reclassified to liabilities, as accounts reducing the passive balance of loans.

12 Recoverable taxes

	2020	2019
Withholding income tax ("IRRF")	14	1
	14	**1**
Income tax and social contribution ("IRPJ/CSLL")	5	-
Total	**19**	**1**

13 Deferred taxes

	2020	2019
Deferred taxes assets	16,984	-
Total	16,984	-

	Deferred taxes assets	**Deferred tax liabilities**
Balance at January 1st, 2020	**-**	**-**
Pre-operational expenses	16,984	-
Balance at December 31st, 2020	**16,984**	**-**

	2020	**2019**
Accounting loss before taxes	**(28,784)**	**(19,873)**
Income tax and social contribution rate	34%	34%
Income tax and social contribution (base x tax rate)	**9,787**	**6,757**
Adjustments to derive the effective rate:		
Tax credits on tax losses	-	(6,757)
IRPJ / CSLL deferred previous years	7,192	-
Others	3	-
Total income tax and social contribution of the year	**16.982**	**-**
Current	(2)	-
Deferred	16,984	-
Total	**16,982**	**-**
	(59.00) %	**-%**

Technical feasibility studies indicate the full capacity to recover, in subsequent years, the amounts of deferred taxes recognized and correspond to the best estimates of management on the future evolution of the Company and the market in which it will start operations in 2024.

14 Property, plant, and equipment

	Works in Progress (*)	**Total**
Balance at January 1st, 2019	**4,190**	**4,190**
Additions	4,514	**4,514**
Balance at December 31st, 2019	**8,704**	**8,704**
Additions	15,686	**15,686**
Balance at December 31st, 2020	**24,390**	**24,390**

(*) Works in progress: The balance of works in progress on December 31st, 2020 is comprised of values for GNA II operating licenses, insurance capitalization and consultancy directly related to the works..

15 Intangible

	Licenses Software
Balance at January 1st, 2020	**-**
Additions	22
Amortization	(1)
Balance at December 31st, 2020	**21**
Cost	22
Amortization	(1)
Balance at December 31st, 2020	**21**
Service life	**5 years old**

16 Suppliers

	2020	2019
National suppliers	834	1,698
Total	**834**	**1,698**

17 Taxes payable

	2020	2019
Service tax ("ISS")	239	-
Withholding income tax ("IRRF")	91	1
PIS/COFINS/ CSLL – tax withholding	281	-
Total	**611**	**1**
Income tax and social contribution ("IRPJ/CSLL")	2	-
Total	**613**	**1**

18 Shareholders´equity

	2020		2019	
Shareholders	**Number of common shares (thousand)**	**% Participation**	**Number of common shares (thousand)**	**% Participation**
Prumo	-	-	1	50.50%
GNA HoldCo	-	-	1	49.50%
GNA Infra	2	66.99%	-	-
Siemens	1	33.01%	-	-
Total	**3**	**100.00%**	**2**	**100.00%**

b. Share capital

As of December 31st, 2020, the Company's share capital is R$ 3, represented by 2,987 common shares, nominative and without par value (R$ 2, represented by 2,000 common shares, nominative and without par value on December 31st, 2019) . The capital increase contributions, as described in note 1, made in the period are shown as below:

	Shareholder				
	Prumo	**GNA HoldCo**	**GNA INFRA**	**Siemens**	**Capital Social**
01/01/2020	1	1	-	-	**2**
11/25/2020	(1)	(1)	2	1	**1**
Total	**-**	**-**	**2**	**1**	**3**

c. Advance for future capital increase

As of December 31st, 2020, the shareholder GNA Infra have invested in GNA II, through a private instrument of advance for future capital increase ("AFAC"), the amount of R$ 43,469. Such an instrument is irrevocable and irreversible, and convertible into a number of shares, respecting its par value. AFAC contributions made in the period are shown as below:

	Shareholder				
Starting Balance	**Prumo**	**GNA HoldCo**	**GNA INFRA**	**Siemens**	**AFAC**
01/01/2020	6,907	6,770	-	-	**13,677**
11/19/2020	-	-	9,026	-	**9,026**
11/25/2020 (i)	(6,907)	(6,770)	13,677	-	**-**
11/25/2020 (ii)	-	-	1,588	-	**1,588**
11/25/2020 (iii)	-	-	19,178	-	**19,178**
Total	**-**	**-**	**43,469**	**-**	**43,469**

(i) Assignment of the AFAC ownership right between Prumo, HoldCo and Infra

(ii) Conversion of the loan into AFAC GNA HoldCo R$ 1,588;

(iii) Conversion of the loan into AFAC GNA Infra R$ 19,178

d. Dividends

The Company's shares participate on equal terms in the distribution of dividends, interest on equity and other benefits to shareholders. The bylaws provide for the distribution of a minimum mandatory dividend of 25% of net income for the year, adjusted in accordance with article 202 of Law no. 6,404/76. In the year ended December 31st, 2020, the Company posted a loss without the distribution of dividends.

19 General and administrative expenses

	2020	2019
Personal	(23,875)	(14,982)
Legal expenses	(455)	(995)
Consulting and auditing	(1,314)	-
Taxes, fines and fees	(49)	(71)
IT and telecom	(1,447)	(32)
Communication and institutional affairs	(289)	(7)
Environmental and land expenses	(6)	(96)
Travel	(416)	(772)
Administrative services	(298)	(1,991)
Operational services	(26)	(26)
Insurance	(240)	(15)
Depreciation and amortization	(1)	(23)
General and maintenance expenses	(37)	(885)
Other third-party services	(342)	(2)
Other expenses	-	25
Total	**(28,795)**	**(19,872)**

20 Net financial gains or losses

	2020	2019
Financial expenses		
Bank expenses	(2)	(3)
Commissions and brokerages	(1)	-
Interest and fines	(96)	-
Exchange variation	33	-
	(66)	**(3)**
Financial incomes		
Interest on financial investments	79	2
	79	**2**
Net financial result	**13**	**(1)**

21 Financial Instruments

This note presents information on the Company's exposure to each of the following risks mentioned, the objectives of the Company, the risk and capital management exercised for the company.

21.1 Risk management

Overview - the Company is exposed to the following risks arising from the use of financial instruments:

a. Credit risk.

b. Market risk**.**

c. Interest rate risk.

Risk management structure - the Company's risk management aims to identify and analyze the risks to which it is exposed, to define appropriate risk limits and controls and to monitor risks and adherence to limits. The Company, through the management of its activities, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Management monitors compliance with the development of its risk control activities and reviews the adequacy of the risk management structure in relation to the risks faced by the Company.

Risk management is also based on the level and context of the control groups of the Company's shareholders.

a. Credit risk

It is the risk that the Company will incur losses arising from a counterparty in a financial instrument, arising from their failure to comply with their contractual obligations.
The risk basically comes from cash and cash equivalents.

b. Market risk

The Company's use of financial instruments is intended to protect its assets and liabilities, minimizing exposure to market risks, especially with regard to fluctuations in price indices and currencies. The Company has not entered into derivative contracts to hedge these risks, however, these are periodically monitored by Management. The Company also does not practice speculative investments or any other risky assets.

c. Interest rate risk

This risk arises from the possibility of the Company incurring losses, due to fluctuations in annual interest rates and debt IPCA, such as price indices, which impact financial expenses related to the income from financial investments.

Accordingly, the Company continuously monitors market interest rates in order to assess the possible need for contracting protection against the risk of volatility in these rates.

During the year ended December 31st, 2020, the Company did not operate with derivative financial instruments.

21.2 Fair value estimate

Fair value is the price that would be received on the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date, in the main market or, in its absence, in the most advantageous market to which the Company has access on that date. The fair value of a liability reflects its risk of non-performance. The risk of non-compliance includes, among others, the Company's credit risk.

Financial assets and liabilities recorded at fair value should be classified and disclosed according to the following levels:

• Level 1 - Prices quoted without adjustments in active markets for instruments identical to those of the Company;
• Level 2 - Prices quoted with or without adjustments for similar assets or liabilities with information directly or indirectly in active markets, except for quoted prices included in the previous level.
The table below shows the book and fair values of the Company's financial instruments and other assets and liabilities, as well as their measurement level, as of December 31st, 2020 and December 31st, 2019.

	Level	2020		2019	
		Accouting	**Fair value**	**Accouting**	**Fair value**
Financial assets (Current/Non-current)					
Measured at amortization cost		**3,661**	**3,661**	**172**	**172**
Cash and cash equivalents	1	3,640	3,640	145	145
Accounts receivable	2	21	21	27	27
Financial liabilities (Current/Non-current)					
Measured at amortization cost		**48,484**	**48,484**	**26,115**	**26,115**
Suppliers	2	834	834	1,698	1,698
Accounts payable	2	47,650	47,650	24,417	24,417

There were no transfers between Level 1 and Level 2 during the year ended December 31st, 2020.

Assessment methods and techniques
The Company understands that the fair value of suppliers and accounts payable with related parties, as it has most of its short-term maturities, is already reflected in its book value.

22 Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks, for amounts considered by Management to be sufficient to cover possible claims, considering the nature of its activity.

As of December 31st, 2020 and December 31st 2019, insurance coverage is as follows:

	2020	2019
Performance guarantee	207,499	207,499

23 Commitments

On December 31st,2020, the Company presented commitments for future purchases at the Parent Company impacting its financial statements as follows:

	2020	2019	Description
Asset			
Property, plant and equipment /Intangible			
Works in progress (*)	35,823	1,535	Project development expenses (consultancy, financial and legal advice)
Total	**35,823**	**1,535**	
Result			
General and Administrative Expenses	6,997	3,433	Travel agency contract, emergency brigade service
Total	**42,820**	**4,968**	

(*) There are already signed contracts, as mentioned in note 1, which are in force, but are in renegotiation of some commercial clauses and have precedent conditions for obligations to occur between the parties and therefore are not presented in this note.

24 Subsequent events

SPIC

On January 28th, 2021, the operation was concluded in which SPIC now holds 33% of the GNA I and GNA II thermoelectric projects.

On the date the contract was signed, GNA HoldCo held control of GNA II, with 49.50% of the company's shares. A step prior to the conclusion of the transaction was the transfer of 67% of the shares from GNA II to GNA Infra. With the execution of the transaction, GNA Infra's stake in GNA II will be diluted by 33% by the entry of SPIC (issue of 49% of new GNA II shares to be attributed to SPIC), which will lead GNA Infra to a percentage of 45% participation in GNA II with the consequent loss of control, since there is no agreement for preponderance in decisions.

The final composition of the capital after the corporate movements will be as follows:

	Participação
GNA Infra	44.88%
SPIC Brasil	33.00%
Siemens	22.12%
Total	**100.00%**