

Individual and Consolidated Financial Statements

Pacto Energia S.A.

December 31, 2021
with Independent Auditor's Report

Pacto Energia S.A.

Individual and consolidated financial statements

December 31, 2021

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Message from Management

Commitment is the best term to describe the company's success in 2021. However, growth and efficiency were also aspects of our existence.

We deliver financial results and follow a previously outlined strategy. In terms of performance, we generated R\$16.3 million in Operating Income before Finance Income (Costs) and increased our Net Income by 132.2%, reaching R\$10.8 million.

At the same time, we are preparing for the future through expansion and investments, including a second distributed photovoltaic power plant, the Durval Pedroso Photovoltaic Complex, consisting of 3 photovoltaic power plants, which together total 3.5MWp of installed power. We also completed our planning for the company's vertical integration by starting an energy distribution operation, through the acquisition of Forcel Força e Luz Coronel Vivida Ltda, renamed Pacto Distribuição PR. Lastly, the segment that remains the Company's core activity – the development of greenfield projects – showed organic growth both in the Southeast and Northeast of Brazil, reaching a pipeline of more than 13GW of power.

The effectiveness of these deliveries was only possible due to high efficiency, given the macroeconomic scenario of accelerated inflation and weakening of our suppliers. The efficiency achieved is the result of the work and commitment of our people, their professionalism and engagement.

Financial discipline is another value that guided our performance. We practice this discipline through a balanced leverage of capital, the decisions made in the evaluation of new projects, and participation in auctions, wherein the Company's financial discipline is always taken into account.

In order to achieve this performance, conciliation was key, whether by having our employees conciliate their work and personal lives, by having our teams conciliate their activities, safety and the fight against Covid, whether by conciliating our usual activities and innovation. It is the conciliation that provides the necessary engagement, respecting the quality of life of our people and the growth of our company.

At Pacto Energia, we do not talk about ESG; we practice ESG. We have implemented the ImpACT project, which aims to bring solar power to isolated communities that still have no access to electricity. We have also greatly improved our corporate governance process, including the award from Full Energy magazine in recognition of this investment. As a result of our daily and effective practice of the ESG culture, we continue to seek to be an innovative company, fulfilling the purpose that today's innovation is tomorrow's sustainability.

Accordingly, we would like to thank the fantastic Pacto Energia Team, our shareholders and especially our customers, partners and stakeholders.

We are ready for 2022. It will undoubtedly be a difficult year, but I am confident that we will maintain the same level of delivery.

Thank you,

Rodrigo Ferreira Fonseca Pedroso

CEO

1. CORPORATE PROFILE

Pacto Energia S.A. (or "Company"), is a holding company that holds investments in the segments of Electric Power Generation, Transmission, Sale, Distribution, Technology and Services. In the Generation segment, it controls the operations of photovoltaic sources (Capim Branco II and UFVs Durval Pedroso I, II and III plants) in the states of Minas Gerais and Goiás, totaling 9.2 MW of installed capacity. In Transmission, the Company has two assets, 2 substations – under construction. In the Sale segment, it negotiates contracts for the purchase and sale of electric power with customers distributed throughout the Brazilian territory. In the Distribution segment, it works with a distributor in the state of Paraná. In the Services segment, it operates through Pacto Soluções and Pacto EPC, serving business and residential customers, with integrated solutions in the areas of retail, energy efficiency, trading in the free market, solar and hydraulic energy and services for the end consumer.

1.1 CHANGES IN CORPORATE NATURE

At the Special General Meeting held on June 23, 2020, the shareholders approved the change in the Company's corporate name from 3F Capital S.A. to Pacto Energia S.A.

On April 16, 2021, we created the SPEs of the Belmonte I and II plants, headquartered in the city of Goiania, Goiás. The companies' business purpose is the construction, design, implementation, operation, maintenance and operation of Centralized Power Generation Plant facilities, connected to the basic grid of the National Interconnected System. This activity is regulated by Brazil's National Agency of Electric Energy (ANEEL), linked to the Ministry of Mines and Energy (MME).

Companies in the pre-operational phase, where the Belmonte I and II Photovoltaic Plant (UFV) project will be built with 30 MWp each.

On September 21, 2021, we started organizing the companies of the Durval Pedroso plant complex (DP's) in the municipality of Alexânia, state of Goiás, with start-up expected for the first half of 2023, totaling an installed capacity of 3.3MW.

2. ECONOMIC AND HYDROLOGICAL IMPACTS ON THE ELECTRIC POWER INDUSTRY

2021 was a year marked by the resumption of economic activity, after the most critical effects of the coronavirus pandemic, which began in 2020. Gross Domestic Product (GDP)¹, which is the sum of final goods and services produced in the country, in YTD September, increased by 5.7%, with Industry (6.5%) and Services (5.2%) registering a positive variation, whereas Agriculture recorded negative variation (0.1%).

Industrial production, in YTD November, increased by 4.7%, despite the disruptions in the global supply chain and the lack of raw materials².

The services industry³ grew 10.9%, for the eleven-month period of the year, with all five activities disclosed showing positive rates and with growth in nearly three quarters (72.9%) of the 166 types of services investigated. The main positive contributions came from the transport, transport support services and mail (15.1%), and information and communication (9.4%) sectors.

Retail⁴ also benefited from the increase in social mobility. In YTD October/21, it increased by 2.6%. The sales volume of extended retail, which includes vehicles, motorcycles, parts and pieces and construction material, increased by 6.3%.

1 Source: Brazilian Institute of Geography and Statistics (IBGE). Brazilian Quarterly Accounts. July/September 2021.

2 Source: Brazilian Institute of Geography and Statistics (IBGE). Monthly Industrial Research on Physical Production – Brazil. November/2021 3 Source: Brazilian Institute of Geography and Statistics (IBGE). Monthly Service Research – Brazil. November/2021

4 Source: Brazilian Institute of Geography and Statistics (IBGE). Monthly Trade Research – Brazil. November/2021

In this context, the rise in inflation (in the face of factors such as: strong global oil appreciation, rising dollar and water crisis in Brazil) which ended 2021 with a 10.1%⁵ increase, was a limiting factor for economy recovery. The average real income of workers declined in the quarter, ending October 2021 with an observed value of R\$2,449, the lowest of the entire historical series started in 2012. None the less, the unemployment rate (12.1%)⁶ fell by 1.6 p.p. in the moving quarter from August to October 2021, compared to the quarter from May to July 2021 (13.7%), and by 2.5 p.p. compared to the same moving quarter of 2020 (14.6%).

3. REGULATORY ENVIRONMENT

3.1 REGULATORY CHANGES

As in other segments, the regulatory agenda was marked by the effects of the pandemic and water crisis, the worst in the last 91 years. Additionally, there were advances in some measures considered structural by the industry, with emphasis on:

(i) Provisional Executive Order No. 1031/2021 – Eletrobras Privatization

On February 23, the Federal Government published Provisional Executive Order No. 1031/2021, which provides for the privatization of Eletrobras. In short, the privatization will take place through the dispersion of shares, and may be accompanied by a secondary public offering of shares held by the Federal Government or by a company controlled by it, directly or indirectly, if the operation fails to reach the necessary amount for the Federal Government no longer to control it. In addition, the Provisional Executive Order has other highlights:

- Allocation of 50% (rather than one third) of the funds to be paid as a granting bonus to the CDE for reasonable tariffs;
- 30-year extension of the concession for the Tucuruí hydropower plant;
- Authorization of new 30-year generation concessions, removing plants that are under the regime wherein power physical guarantee is provided, prohibiting the renegotiation of hydrological risk.

(ii) Provisional Executive Order No. 1055/2021 – Introduced the Chamber of Exceptional Rules for Hydropower Management (CREG)

On June 28, the Federal Government published Provisional Executive Order No. 1055/2021, which established the Chamber of Exceptional Rules for Hydropower Management (CREG). CREG main responsibility was to adopt measures, as defined by an inter-ministerial group, to ensure the supply of electricity in Brazil, due to the water crisis and the conditions of the reservoirs of the hydropower plants. The activities assigned to CREG are:

- Defining mandatory guidelines to, on an exceptional and temporary basis, establish limits for the use, storage and flow of hydropower plants and any associated mitigating measures;
- Setting deadlines for compliance with the guidelines addressed in the preceding item by the bodies and entities of the direct and indirect federal public administration, by the National Electric System Operator (ONS), by the Electric Energy Trade Chamber (CCEE) and by the electric power generation operators, in accordance with their legal and contractual powers and obligations;
- Requesting and setting deadlines for submitting technical information and subsidies to bodies and entities of the direct and indirect federal public administration, to ONS, to CCEE and to electric power generation operators, in accordance with their legal and contractual powers and obligations; and
- Deciding on the approval of the deliberations of the Electric Industry Monitoring Committee (CMSE), related to emergency measures for the electric power supply, in order to assign mandatory compliance with these deliberations by the competent bodies and entities.

(iii) Result of Public Consultation (CP) N. 35/20 – Impacts of the pandemic on the economic and financial balance of distributors

On November 23, ANEEL's Executive Board approved the methodology for calculating the effects of the pandemic on overcontracting and on the economic and financial balance in the Distribution segment and on the finance costs of the COVID-Account. Overcontracting was regulated according to the proposal submitted to the 3rd phase of CP 35/20, considering the load variation perceived by the distributor in 2020 and 2021 from the load forecast informed in the A-1 and A-2 auction in 2019 and, for agents who failed to report, the adoption of the Integrated system for payment of taxes and contributions by small businesses entitled to favored tax treatment (SIMPLES) to SPE. As for the spread, the finance costs referring to the Portion B items and the deferral for Group A remained allocated to the distributors. However, the understanding was changed for Portion A items, for which the difference between the amount received and the amount realized of regulatory assets would be allocated to the distributors, as well as the portion of the unamortized balance of the Account of Variation in Portion A Item Amounts (CVA) (referring to the previous tariff process). After consideration in the tariff process, such costs should be allocated to the consumer. For the recognition of billing losses and increase in default, the admissibility criterion for the request for economic-financial rebalancing must include a broad analysis, evaluating the triggering event, evidence of the imbalance, the causal nexus and the initiatives to equate the concession imbalance. After the distributor's statement to ANEEL and the Agency's carrying out an Extraordinary Tariff Review process, the process will be consolidated.

5 This is the highest rate accumulated in the year since 2015, when it was 10.67%, and exceeded the target of 3.75% defined by the National Monetary Council for 2021, whose ceiling was 5.25%. Source: Brazilian Institute of Geography and Statistics (IBGE). National System of Consumer Price Indexes IPCA and INPC – December/2021.

6 Source: Brazilian Institute of Geography and Statistics (IBGE). PNADC – Brazil. November/2021

(iv) *Provisional Executive Order No. 1078/2021 - Economic and budgetary measures to tackle the water problem*

On December 13, Provisional Executive Order (MP) No. 1078/2021 was announced, which outlines efforts to reduce the economic and financial consequences of the severe water drought in 91 years in 2021. ("Water Scarcity Account"). The MP allows the CDE to be used to raise funds linked to the amortization of financial activities related to facing water scarcity, as well as deferrals applied in previous tariff processes, such as the demand service program and the consumption reduction bonus program. The MP's objective is to help energy distributors deal with the higher costs associated with the situation of water scarcity. These expenses will be passed on to the consumer. All consumers, including captive consumers who choose to migrate to the Free Contracting Environment ("ACL"), will bear these costs. In addition, the MP allows the installation of an extraordinary tariff flag for the payment of extraordinary expenses arising from water shortages. Low-income customers registered with the Social Tariff will not see this flag. The wording of the MP is currently under consideration and approval by the Brazilian National Congress. After approval, a decree must be published establishing the terms and amounts of the financing, followed by regulation by ANEEL.

(v) *Approval of Law No. 14300/2022 – Legal framework of the Distributed Generation*

Approved in August 2021 by the Brazilian House of Representatives, bill 5829 was sanctioned by the Brazilian government on January 6, 2022, establishing the legal framework for distributed generation, guaranteeing tax exemption for those who already produce their own energy until 2045. This The tariff exemption benefit will remain valid for consumers who request access to the network by the distributor through the Electric Energy Compensation System (SCEE) up to 12 months from the date of enactment of the law. Then, a transition phase is planned until 2028, gradually increasing the collection of part of the tariff and charges on the energy bill, such as *Fio B* (costs related to the use of the distribution infrastructure). The progression of payment is projected as follows: 15% in 2023, 30% in 2024 , 45% in 2025, 60% in 2026, 75% in 2027, 90% in 2028. Systems with up to 75 kWp of energy from renewable sources installed in their consumer units are now defined as microgenerators. Mini generators are systems of up to 3 MWp for non-dispatchable source 'without battery' and 5MW for dispatchable source 'with battery'.

(vi) *Law No. 14120/2021 – Schedule for the charge reduction percentages to become effective*

Approved on March 1, 2021, it is an amendment to article 26 of Law No. 9427, of December 26, 1996, on the charge reduction percentages to be applied to projects that request the grant, according to Aneel's regulation, within a period of 12 (twelve) months, from the date the law is published, and that start the operation of all their generating units within a period of 48 (forty-eight) months, from the grant date; and to the amount plus installed capacity, if the amendment to the grant that results in an increase in the installed capacity of the enterprise is requested within a period of 12 (twelve) months, from the date the law is published, and the operation of all generating units associated with the request is initiated within a period of 48 (forty-eight) months, from the date of publication of the act authorizing the amendment to the grant.

4. COMBINED RESULTS – considering the segments of Generation and Transmission, Sale and Services

4.1 GROSS MARGIN

DRE - Demonstração de Resultados dos Exercícios por Segmentos

Valores expressos em Milhares de Reais

Rubricas	Geração e Transmissão			Comercialização			Serviços			Outros			CONSOLIDADO		
	31/12/21	Δ%	31/12/20	31/12/21	Δ%	31/12/20	31/12/21	Δ%	31/12/20	31/12/21	Δ%	31/12/20	31/12/21	Δ%	31/12/20
Receita operacional líquida	13.145	-28%	18.270	465.265	133%	199.265	203	-64%	562	0	0%	0	478.613	119%	218.097
Custo Operacional	(8.441)	-37%	(13.371)	(448.087)	127%	(197.523)	(2)	-95%	(38)	0	0%	0	(456.530)	116%	(210.932)
Resultado do valor justo de contratos de energia	0	0%	0	(1.260)	-115%	8.632	0	0%	0	0	0%	0	(1.260)	-115%	8.632
Depreciação alocada ao custo	(771)	38%	(557)	0	0%	0	0	0%	0	0	0%	0	(771)	38%	(557)
Lucro bruto	3.933	-9%	4.342	15.918	53%	10.374	201	-62%	524	0	0%	0	20.052	32%	15.240
% Margem Bruta	29,9%		23,8%	3,4%		5,2%	99,0%		93,2%	0,0%		0,0%	4,2%		7,0%
Receitas financeiras	503	651%	67	24	-86%	175	1	0%	0	2	0%	0	530	119%	242
Despesas financeiras	(1.671)	14%	(1.466)	(452)	408%	(89)	(22)	214%	(7)	(441)	192%	(151)	(2.586)	51%	(1.713)
Depreciação	(8)	0%	0	40	-130%	(134)	(1)	0%	0	0	0%	0	31	-123%	(134)
Resultado de equivalência patrimonial	1.376	109%	659	0	0%	0	0	0%	0	0	0%	0	1.376	109%	659
Despesas e receitas operacionais	(1.259)	-32%	(1.845)	(4.824)	7%	(4.514)	(222)	-20%	(277)	716	-217%	(610)	(5.589)	-23%	(7.246)
Resultado por segmento antes do IR/CSLL	2.874	64%	1.757	10.706	84%	5.812	(43)	-118%	240	277	-136%	(761)	13.814	96%	7.048
% Margem Operacional	21,9%		9,6%	2,3%		2,9%	-21,2%		42,7%	0,0%		0,0%	2,9%		3,2%
Imposto de Renda e Contribuição Social	(362)	85%	(196)	(3.244)	43%	(2.269)	(14)	-75%	(55)	0	0%	0	(3.620)	44%	(2.520)
Lucro líquido por segmento depois do IR/CSLL	2.512	61%	1.561	7.462	111%	3.543	(57)	-131%	185	277	-136%	(761)	10.194	125%	4.528
% Margem Líquida	19,1%		8,5%	1,6%		1,8%	-28,1%		32,9%	0,0%		0,0%	2,1%		2,1%
Ativos reportáveis	37.576	-12%	42.709	165.378	190%	57.076	9.755	129%	4.252	6.606	-1%	6.662	219.315	98%	110.699
Passivos e patrimônio líquido reportáveis	29.283	-26%	39.606	185.771	144%	76.096	8.107	133%	3.483	(3.846)	-55%	(8.486)	219.315	98%	110.699

EBTIDAS por Segmentos

Valores de EBTIDA	4.821	30%	3.713	11.094	89%	5.860	(21)	109%	247	716	217%	(610)	16.610	80%	9.210
% de EBTIDA	36,7%		20,3%	2,4%		2,9%	-10,5%		44,0%	0,0%		0,0%	3,5%		4,2%

The Gross Margin for the year ended December 31, 2021 was 4.2%, due to:

- Generation and Transmission: there was a R\$5.1 million decrease in net operating revenue, counterbalanced by a R\$4.9 million decrease in operating costs, which allowed the maintenance of gross profit at R\$0.4 million for this segment;
- Sale: there was a R\$5.5 million increase in gross profit, mainly due to the R\$266.0 million increase in net operating revenue, encompassing long-term operations accounted for through mark-to-market, in addition to greater risk management of counterparty risk.

4.2 EBITDA

EBITDA was R\$16.6 million, an 80.0% increase, as mentioned above in the business units.

4.3 NET INCOME

Net Income was R\$10.1 million, a 125.0% increase, resulting from the aforementioned effects, in addition to the positive result from equity interests.

4.4 INDEBTEDNESS

The Company presents the details of its indebtedness in Note 9 to its annual financial statements.

4.5 OPERATING CASH FLOW, NET DEBT AND LEVERAGE

Net Debt, considering operating generation and cash expenditures in the period, was R\$17.1 million in operating companies, a R\$1.7 million decrease (-9%) compared to the balance in 2020, and R\$ 5.5 million of final balance in 2021 in the holding, with the funds raised for acquisitions of companies.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Total			
Changes in PPE (R\$ thousand)	2021	2020	Variation
Generation and Transmission	19,405	19,719	-314
Sale	245	317	-72
Services	3	0	+3
Total	19,653	20,036	-383

CHANGES IN INVESTMENT

Total			
Changes in Investment (R\$ thousand)	2021	2020	Variation
Generation and Transmission	4,387	1,196	+3,191
Sale	2,126	2,126	0
Services	0	0	0
Total	6,513	3,322	+3,191

Investments increased by 96%, according to the strategic plan defined for 2020-2025, with a focus on the solar energy segment.

In Generation, investments totaled R\$3.1 million, a 267% increase, due to the reinforcement of investments in greenfield projects in Centralized and Distributed Generation, and the intensification of the use of technology.

In Transmission, investments decreased due to the increase in the participation of MEZ Energia, which has raised funds for the construction of lots 13 and 14 of Auction 02/18. The start-up schedule of the lots under construction remains ahead of schedule established by ANEEL.

At December 31, 2021, the Company held interest in Lot 13 of Auction 02/18. This lot represents the construction of the Rio Claro II substation, sectioning the 230 KV Rondonópolis – Rio Verde Transmission Line (TL) in Rio Claro Substation (SE). During the construction work, 85 people will be employed. This lot will benefit 102,065 people. The Annual revenue allowed (RAP) of the auction is R\$4,988,00.89 and the Regulatory Capex is R\$64,146,090.61. The Evolution of the Project, SE Rio Claro II is already at 81% of the total, scheduled to start operating in the second half of 2022.

At December 31, 2021, the Company's interest in Lot 14 of Auction 02/18 was 6%. This lot comprises the construction of the Cruz Alta II Substation, the sectioning of the 230 kV Passo Real – Ijuí II Transmission Line (TL) in the Cruz Alta Substation. During the Construction work, 127 people will be employed. This lot will benefit 104,403 people. The RAP of the auction is R\$5,209,672.10 and the Regulatory Capex is R\$58,521,737.09. The Evolution of the Project, Rio Claro II SE is already at 64% of the total, scheduled to start operations in the second half of 2022.

In Photovoltaic Energy Generation, investments amounted to R\$20.5 million in SPE CAPIM BRANCO II, demonstrating the commitment to expansion in this segment.

In other investments, emphasis is on technology and new business development, telecommunications, energy distribution, marketing platform (77 Sol).

5. BUSINESS AREAS

5.1 PACTO GERAÇÃO AND TRANSMISSÃO

- CENTRALIZED GENERATION**

The Company has 13 GW in greenfield projects, 7.5GW for which grant requests have been made to comply with Law No. 14120/2021, which guarantees that there will be no charge reduction percentages to be applied to projects that request the grant within 12 (twelve) months, from the date the law is published and that start the operation of all their generating units within a period of 48 (forty-eight) months, from the grant date. We also had 5.3GW in projects approved for participation in the A-5 energy auction to be held on September 30, 2022.



Visão geral do pipeline de Geração Distribuída da Pacto Energia

Ativos solares fotovoltaicos



A Pacto Energia aumentou seu pipeline disponível e está posicionada para receber o Parecer de Acesso para os ativos

- **DISTRIBUTED GENERATION**

Pacto Geração Distribuída specializes in the development of photovoltaic solar energy generation projects. In this business model, an area with or without an access opinion is sought, but with a relatively low cost of construction work, for the connection of the future plant to the regional energy distributor. The proximity of an electric power substation and the high level of insolation allow optimizing the power generation of the photovoltaic solar plant that will be leased to the final customer, which can be captured directly by the commercial team, via auction or requests for quotation "RFQs" from institutions that wish to reduce their energy consumption expenses. In parallel, the company seeks to optimize the project's rate of return by accessing the capital market, financial institutions or third-party capital for the construction of photovoltaic plants.

In December 2021, the company has 54.4 MWp of photovoltaic power plant projects at an advanced stage of development, including the 20 MW project dedicated to a floating solar power plant.

Installed Capacity

- **TRANSMISSION**

Through Public Electric Power Transmission Service Concession Arrangement No. 24/2018-ANEEL, dated September 20, 2018, the Company was granted the concession of Electric Power Transmission Services for a period of 30 years, for the following projects:

Lots 13 (230/138 kV Rio Claro 2 SE and sectioning of 230 kV Rondonópolis – Rio Verde TL) and 14 (230/138 kV Cruz Alta 2 SE and sectioning of 230 kV TL) of transmission Auction 02/18 are in phase of construction ahead of schedule in view of the assumptions adopted in the auction, and presented RAP of R\$10.2 million and Regulatory Capex of R\$122.7 million.

5.2 SALE AND TRADING

- **PACTO AND EVOLUTION**

The volume of energy sold totaled 2.5 GWh, a 48% increase, due to the increase in liquidity, i.e., new business partners. We believe that the increase in capital from R\$16.0 million to R\$20.0 million was one of the significant factors to the increase in credit, combined with the desk and back office structure, credit controls, risk and conservative strategy given the moment of water crisis that kept spot prices at the ceiling level, and with the current economic situation.

5.3 PACTO INDÚSTRIA

Founded in 2017, headquartered in the city of Aparecida de Goiânia, state of Goiás (GO) and under the trade name of "Easy Solar", the company is structured to supply the entire value chain of the micro and mini Distributed Generation ('GD') business, focused on industrial processing, Sale and Installation of photovoltaic systems. The company operates on three business fronts, namely:

- **SPECIAL PROJECTS:**

EasySolar has a portfolio with more than 7,991 MWp of photovoltaic plants, 77 installed and 12 being installed, in the Distributed Generation modality. It also has a sales front for "Special Projects", above 75kwp. To meet the increased demand, the company is developing new sales channels, improving the relationship with suppliers and focusing on continuous improvement of processes and services, seeking the best efficiency in the management of operating costs.

- **FRANCHISES:**

EasySolar, seeking to respond to an opportunity with the approval of Law No. 14300 on January 6, 2022, which starts a schedule to reduce the benefit of the *Fio* (costs related to the use of infrastructure) tariff for installed plants, developed a business franchise model for "Special Projects" of micro and mini-generation plants. As a franchisor, it begins to grant the know-how of approval, projects, processing with distributors and training, allowing the franchisee to focus on sales and installation. We will provide support through our interactive engineering office. Franchisees may choose between two business models: Home Base (Micro-franchise) and Store Model (Physical Store).

- **DIGITAL DISTRIBUTION COMPANY:**

With the market in strong expansion, 77Sol (a subsidiary of Pacto Industria), was created to serve the solar power retail market, understanding the needs of integrators (installers of photovoltaic systems in Brazil), and designed its strategy to meet the needs of this public. With a focus on microgeneration, the objective is to professionalize small integrators through this platform, performing from online sales, system sizing, inventory management, to all the necessary support for bank financing. The development of this business model aims to facilitate access to equipment and financing for small integrators.

5.4 W2E DIGITAL

The company's activity is the management of ePOP, the first Brazilian "enertech". It is an online platform for energy credits offset and assignment, currently called "subscription energy", developed on algorithms based on new technologies and concepts such as the internet of things ('IoT'), artificial intelligence ('AI'), machine learning that provides services to plants leased by the EPOP COOP cooperative for use in the Distributed Generation, within the parameters established by Aneel Resolution No. 482 of 2012, amended by Resolution No. 687 of 2015 and Law No. 14300/22.



To meet the energy demand of its members through the ePOP platform, EPOP COOP has the lease of a 2.5 MWp power plant in operation, located in São Gonçalo do Sapucaí, state of Minas Gerais (MG).

5.5 PACTO SOLUÇÕES M ENERGIA

Pacto Soluções operates with the objective of managing energy generators and consumers, helping them from the migration from the regulated captive market (ACR) to the free energy market (ACL), to maintaining their monthly obligations to CCEE (Electric Energy Commercialization Chamber) and ANEEL (National Electric Energy Agency).

The company operates with two types of contract: (i) remunerated on the savings provided to the customer based on the tariff adopted by the captive market (distributors), or (ii) remunerated with a fixed management fee.

5.6 BBCE

The Brazilian OTC Energy Trading is a free energy trading business portal made up of the main agents in the Brazilian market and open to all agents in the Free Contracting Environment. With operations started in 2012, the platform has more than 170 registered participants, holding more than 99% of the volumes traded through this channel. The platform is getting ready for the launch of new lines of business, but it already allows for: Reduction of costs and time, with electronic contracts; Opportunities to find counterparties at the platform counter using electronic tickets; Compliance; Integration, Technology and Security.

6. ESG PERFORMANCE IN SUSTAINABILITY

Pacto Energia's commitment to Ethical and Sustainable Development is the essence of its performance and, therefore, it has set, in the 2022 Goals and in the recent Strategic Plan 2022-2027, its commitment to contribute to 9 of the 17 Sustainable Development Goals (SDGs) of the United Nations (UN).



6.1 ESG INDICATORS

Pacto Energia's environmental, social and governance indicators are published in its Management Report, an integral part of the annual Financial Statements.

6.2 ESG COMMITMENT HIGHLIGHTS

- Environmental

Pacto Energia's growth strategy in its centralized and distributed generation projects focused on solar energy shows its commitment to reducing greenhouse gas emissions based on science ("Science Based Targets"). We are seeking maximum grade in the Carbon Disclosure Project (CDP) – Climate index. CDP is a non-profit institution that enables companies, cities and states to disclose their environmental impact, in order to generate data and stimulate initiatives that promote a sustainable economy.

- **Social**

Pacto Energia seeks to provide the best working environment for its employees, focusing its efforts on valuing people and promoting equity, inclusion and diversity, promoting actions to strengthen a culture in which everyone feels welcomed, respected and belonging.

Pacto Energia has 33% female participation on its board of directors, three times the national average. The company is committed to further advancing the gender equity agenda through concrete actions.

Social and environmental actions: Impact is among the achievements that corroborate the company's active role in building a more humane, fair and inclusive society with a focus on job creation.

Fighting the effects of Covid-19 through donations aimed at ensuring the well-being and feeding of communities affected by the disease.

- **Governance**

Regarding the accountability and transparency agenda, Pacto Energia, a privately held group, engaged Ernst Young as an independent auditor in 2020 and has been presenting results to the market since then, with a meeting to present annual results to analysts scheduled for July 2022.

The recognition was confirmed by the Full Energy 2021 Award in the Corporate Governance category, received by our CEO, Rodrigo Pedroso, who was also recognized as one of the 2021 Energy Leaders, at the event organized by Full Energy, from Grupo Midia.

Implementation of the board of directors, compliance and performance monitoring through monthly results meeting. Adoption of corporate policies, marketing and communication policies, anti-corruption, ethics, credit committee and risk management. Creation and monitoring of goals through market intelligence platform.

6.3 INNOVATION

Pacto Energia is deeply committed to anticipating trends in the industry (digitization, decarbonization and decentralization) with a view to encouraging the energy transition in the country. The innovation ecosystem needs solutions that embody these trends as pillars of its performance. In 2021, the Pacto Energia group consolidated its commitment to innovation by investing in its technology platforms, 77sol and ePop, in addition to a strategic project that will allow energy trading between individuals in the future through mini energy futures contracts.

8. INDEPENDENT AUDITOR

The Company entered into an agreement with Ernst Young Auditores Independentes S/S (EY) for the provision of audit services for its 2021 financial statements, in accordance with CVM Rule No. 381, of January 14, 2003. Measured energy levels, consumers and other non-financial/accounting quantitative information is not audited by EY.

EY and its affiliates did not provide services in addition to the independent audit in 2021 that accounted for more than 5% above the agreed amount. The Company's policy, as well as the policies of the other companies of Pacto Energia Group, for contracting non-audit services, is based on principles that protect the independence of the independent auditor. These principles are: (i) the auditor should not audit its own work; (ii) the auditor must not perform managerial roles for its client; and (iii) the auditor must not promote the interests of its client, in accordance with globally accepted rules.

9. FINANCIAL STATEMENTS

As required by article 25 of CVM Rule No. 480/09, and subsequent amendments, Pacto Energia strategically positions itself to provide transparency to the market by declaring that we have reviewed and agreed with the financial statements and the Independent Auditor's Reports issued on the respective Financial Statements for the year ended December 31, 2021. These were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB")



A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements originally issued in Portuguese

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Management

Pacto Energia S.A.

Goiânia - GO

Opinion

We have audited the individual and consolidated financial statements of Pacto Energia S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2021, and its individual and consolidated financial performance and 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 the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for such 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 assurance conclusion thereon.



In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

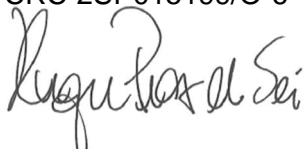
As part of the audit conducted in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Recife, August 2, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Henrique Piereck de Sá
Accountant CRC-PE023398/O-3

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Pacto Energia S.A.

Statements of financial position
December 31, 2021
(In thousands of reais)

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Assets					
Current assets					
Cash and cash equivalents	3	1,424	4	7,187	7,389
Accounts receivable	4	-	-	73,833	48,484
Inventories		-	-	3,881	1,719
Taxes recoverable		-	-	8,112	869
Fair value in the purchase and sale of power	18	-	-	81,649	8,267
Related parties	5	769	1,800	769	1,800
Dividends receivable	6	3,265	1,890	-	-
Other receivables		38	-	703	2,194
		2,231	3,694	176,134	70,722
Noncurrent assets					
Long-term receivables					
Fair value in the purchase and sale of power	18	-	-	9,016	8,601
Related parties	5	14,317	9,041	7,878	7,855
Other receivables		-	-	121	68
Investments	7	37,214	27,966	6,513	3,322
Right of use		-	-	-	95
Property, plant and equipment	8	-	-	19,653	20,036
		54,796	37,007	43,181	39,977
Total assets		57,027	40,701	219,315	110,699

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Liabilities and equity					
Current liabilities					
Trade accounts payable	10	25	-	63,576	42,110
Loans and financing	9	3,829	-	5,586	4,202
Taxes payable		222	149	5,048	2,141
Deferred taxes	17	-	-	9,465	-
Social and labor obligations		-	-	203	90
Fair value in the purchase and sale of power	18	-	-	74,995	8,593
Related parties	5	-	-	4	-
Dividends payable	12(e)	3,497	1,075	3,497	1,075
Advances from customers		-	-	9,494	3,221
Lease obligations		-	-	-	55
Other obligations		1,001	2,000	2,372	4,080
		8,574	3,224	174,240	65,567
Noncurrent liabilities					
Loans and financing	9	987	-	16,335	16,080
Related parties	5	22,284	18,954	4,169	817
Fair value in the purchase and sale of power	18	-	-	-	414
Deferred taxes	17	-	-	-	3,610
Provision for contingencies	11	-	-	1,495	400
Lease obligations		-	-	-	95
Provision for investment losses	7	7,973	-	150	-
Future capital contribution	5	5,028	-	5,028	-
		36,272	18,954	27,177	21,416
Equity					
Capital	12	8,000	8,000	8,000	8,000
Capital reserve		1,500	1,500	1,500	1,500
Income reserves		2,681	3,995	2,681	3,995
		12,181	13,495	12,181	13,495
Future capital contribution		-	5,028	-	5,028
		12,181	18,523	12,181	18,523
Noncontrolling interests		-	-	5,717	5,193
Total equity		12,181	18,523	17,898	23,716
Total liabilities and equity		57,027	40,701	219,315	110,699

See accompanying notes.

Pacto Energia S.A.

Statements of profit or loss

Year ended December 31, 2021

(In thousands of reais, except earnings per share, stated in reais)

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Revenues	13	-	-	478,613	218,097
Cost of sales	14	-	-	(457,301)	(210,718)
Change in fair value in purchase and sale of power	18	-	-	(1,260)	7,861
Gross profit		-	-	20,052	15,240
Operating expenses					
General and administrative expenses	15	(93)	(306)	(8,255)	(7,823)
Equity pickup	7	10,338	4,985	1,376	659
Other income and expenses, net		388	-	3,211	526
		10,633	4,679	(2,668)	(6,638)
Operating income before finance income (costs)		10,633	4,679	16,384	8,602
Finance income (costs)	16				
Finance income		2	-	530	242
Finance costs		(441)	(151)	(2,586)	(1,713)
		(439)	(151)	(2,056)	(1,471)
Income before income and social contribution taxes (IRPJ and CSLL)		10,194	4,528	14,328	7,131
Income and social contribution taxes (IRPJ and CSLL)	17				
Current		-	-	(1,134)	(251)
Deferred		-	-	(2,486)	(2,269)
		-	-	(3,620)	(2,520)
Net income for the year		10,194	4,528	10,708	4,611
Income attributable to:					
Controlling interests				10,194	4,528
Noncontrolling interests				514	83
				10,708	4,611
Number of shares		8,000,000	8,000,000		
Earnings per share		1.27	0.57		

See accompanying notes.

Pacto Energia S.A.

Statements of comprehensive income
 Year ended December 31, 2021
 (In thousands of reais)

	Individual		Consolidated	
	2021	2020	2021	2020
Net income for the year	10,194	4,528	10,708	4,611
Other comprehensive income	-	-	-	-
Comprehensive income for the year	10,194	4,528	10,708	4,611
Income attributable to:				
Controlling interests			10,194	4,528
Noncontrolling interests			514	83
			10,708	4,611

See accompanying notes.

Pacto Energia S.A.

Statements of changes in equity
Year ended December 31, 2021
(In thousands of reais)

Note	Consolidated									
	Individual					Subtotal	Future capital contribution	Subtotal	Noncontrolling interests	Total equity
	Capital	Capital reserve	Income reserves		Retained earnings					
		Goodwill on capital transactions	Legal reserve	Retained profits						
Balances at December 31, 2019	1	-	-	903	-	904	13,025	13,929	1,203	15,132
Capital increase	7,999	-	-	-	-	7,999	(7,999)	-	5,099	5,099
Gain on change in equity interest	-	1,500	-	-	-	1,500	-	1,500	(1,500)	-
Net income for the year	-	-	-	-	4,528	4,528	-	4,528	83	4,611
Allocation of income:	12.e	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	226	-	(226)	-	-	-	-	-
Mandatory minimum dividends	-	-	-	-	(1,075)	(1,075)	-	(1,075)	-	(1,075)
Retained profits	-	-	-	3,227	(3,227)	-	-	-	-	-
Other	-	-	-	(361)	-	(361)	2	(359)	308	(51)
Balances at December 31, 2020	8,000	1,500	226	3,769	-	13,495	5,028	18,523	5,193	23,716
Prior year adjustments	7	-	-	-	(9,087)	(9,087)	-	(9,087)	-	(9,087)
Net income for the year	-	-	-	-	10,194	10,194	-	10,194	514	10,708
Reversal of future capital contribution	-	-	-	-	-	-	(5,028)	(5,028)	-	(5,028)
Allocation of income:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	510	-	(510)	-	-	-	-	-
Mandatory minimum dividends	-	-	-	-	(2,421)	-	-	(2,421)	-	(2,421)
Retained profits	-	-	-	(1,824)	1,824	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	10	10
Balances at December 31, 2021	8,000	1,500	736	1,945	-	12,181	-	12,181	5,717	17,898

See accompanying notes.

Pacto Energia S.A.

Statements of cash flows
Year ended December 31, 2021
(In thousands of reais)

	Individual		Consolidated	
	2021	2020	2021	2020
Operating activities				
Income before IRPJ and CSLL	10,194	4,528	14,328	7,131
Adjustments to reconcile income before income and social contribution taxes to cash:				
Depreciation and amortization	-	-	840	1,002
Equity pickup	(10,338)	(4,985)	(1,376)	-
Prior year adjustments	-	-	(9,087)	-
Write-off of property, plant and equipment	-	-	182	-
Interest on loans and financing	331	-	1,654	2,079
Change in fair value in purchase and sale of power	-	-	1,260	(7,861)
Provision for contingencies	-	-	1,095	-
	187	(457)	8,896	2,351
(Increase) decrease in assets				
Accounts receivable	-	-	(25,349)	12,543
Fair value in the purchase and sale of power	-	-	(9,069)	-
Inventories	-	-	(2,162)	(1,719)
Taxes recoverable	-	-	(5,008)	1,136
Other receivables	(427)	2	1,533	(958)
Increase (decrease) in liabilities				
Trade accounts payable	25	-	21,466	(10,930)
Social and labor obligations	-	147	3,020	(676)
Taxes payable	73	-	-	-
Advances from customers	-	-	6,273	3,221
Other obligations	(998)	(1)	(1,847)	554
Net cash from (used in) operating activities	(1,140)	(309)	(2,247)	5,522
Payment of interest on loans and financing	-	-	(345)	(119)
Net cash from (used in) operating activities	(1,140)	(309)	(2,592)	5,403
Investing activities:				
Increase in investments	(1,010)	(3,146)	(1,665)	-
Additions to property, plant and equipment	-	-	(639)	268
Net cash from (used in) investing activities	(1,010)	(3,146)	(2,304)	268
Financing activities				
Loans and financing taken out	4,541	-	4,762	6,090
Repayment of principal of loans and financing	(56)	(500)	(4,432)	(1,050)
Related parties	(915)	3,956	4,364	(8,309)
Net cash from (used in) financing activities	3,570	3,456	4,694	(3,269)
Increase (decrease) in cash and cash equivalents	1,420	1	(202)	2,402
Cash and cash equivalents				
At beginning of year	4	3	7,389	4,987
At end of year	1,424	4	7,187	7,389
Increase (decrease) in cash and cash equivalents	1,420	1	(202)	2,402

See accompanying notes.

Pacto Energia S.A.

Notes to individual and consolidated financial statements
December 31, 2021
(In thousands of reais, unless otherwise stated)

1. Operations

Pacto Energia S.A. (individually “Company” or jointly with its subsidiaries “Group”) is a privately held corporation incorporated on June 21, 2017, whose business purpose is to hold equity interest in other entities.

Currently, together with its subsidiaries, the Company offers a wide range of products and services in the Brazilian electric power market, as shown below:

- **Pacto Comercializadora de Energia e Gás Natural S.A.**

Incorporated on September 9, 2015 and headquartered in the city of Goiânia, Goiás state, this entity is engaged in: i) the electric power trading (purchase and sale), operating as a trading agent, pursuant to Resolution No. 265 of August 13, 1998, issued by the Brazilian Electricity Regulatory Agency (“ANEEL”); ii) the import and export of electric power, also pursuant to ANEEL Resolution No. 265/98; and iii) the rendering of advisory services, representation of agents, intermediation in the purchase and sale of electric power, natural gas, both in the local and foreign market, as well as import and export.

- **Pacto Geração e Transmissão S.A.**

Incorporated in 2014 and also headquartered in the city of Goiânia, Goiás State, this entity is engaged in: i) holding equity interest in other business companies in the areas of generation, transmission and sale; ii) the production, generation, distribution and sale of power; and iii) the wholesale sale of electric power.

Pacto Geração e Transmissão is specialized in the development of “greenfield” renewable energy generation projects and in participating in transmission auctions. Its business model implies finding an area with the proper profile for generation, making the necessary measurements, projects and licensing to bring the project to the “ready to build” stage (approval from ANEEL, environmental licenses, authorization from states and cities, etc.), enabling the entry of an investor and/or access to the capital market to then participate in both auctions in the Regulated Market (“ACR”) and in bids for power trade agreements in the Free Market (“ACL”).

Pacto Geração e Transmissão S.A. holds equity interest in Belmonte I Energia SPE Ltda and Belmonte II Energia SPE Ltda., companies in their pre-operational phase, and in transmission companies Rio Claro II SPE Ltda. and Cruz Alta II SPE Ltda.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

- **Pacto Geração Distribuída S.A.**

Incorporated on October 5, 2016 and headquartered in the city of Goiânia, state of Goiás, this entity is engaged in the development, sale, installation, operation and maintenance of photovoltaic, wind, hydropower and qualified co-generation solar electric power generation systems, with output below 5MW (five megawatts).

Pacto Geração Distribuída S.A. holds equity interest in two photovoltaic generation plants: Capim Branco II Energia Solar SPE Ltda and DP Energia Solar SPE Ltda, with operating capacity of 5MWp and 0.9MWp, respectively.

- **Pacto Esco S.A.**

Incorporated on January 11, 2017 and headquartered in the city of Goiânia, state of Goiás, this entity, not yet in operation, is engaged in: i) metering of electric power, gas and water consumption, sale of products and rendering of services related to energy efficiency projects, water and gas consumption; and ii) the lease of other industrial machinery and equipment.

- **Pacto Indústria Ltda.**

Organized on January 11, 2017 and headquartered in the city of Aparecida de Goiânia, state of Goiás, this entity is primarily engaged in: i) the manufacture of apparatus, modules, power plant control panels and equipment; ii) the manufacture of inverters; iii) the manufacture of steel structures, engines and turbines, parts and accessories; iv) the manufacture of hydraulic and tire equipment; v) the manufacture of direct current and alternating current generators, parts and accessories; vi) the manufacture of energy meters; vii) the wholesale trade of machinery and equipment for industrial use, pieces and spare parts, import and export; viii) installation and maintenance services for power generation systems; ix) construction of electric power distribution stations and grids; x) electric installation and maintenance; xi) development and licensing of non-customized software; xii) technical support, maintenance and other information technology services; and xiii) custom software development. The entity's trade name is "Easy Solar".

Pacto Indústria S.A. holds equity interest in 77 Sol Tecnologia S.A.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

- **Pacto Soluções em Energia S.A.**

Incorporated on June 21, 2018 and headquartered in the city of Arapoti, state of Paraná, this entity is engaged in: i) the intermediation of businesses related to the sale of electric power; ii) rendering of consulting and advisory services related to the sale of electric power; iii) holding interest in other companies, as a member or shareholder.

- **W2E Digital S.A.**

Incorporated on May 25, 2018 and headquartered in the city and state of São Paulo, this entity is engaged in: i) the management of a digital energy credit platform, aimed at providing services in all areas of interest of associated parties throughout the country; ii) holding interest in other companies, as a member or shareholder.

- **Evolution Comercializadora de Energia Elétrica e Gás Natural Ltda.**

Incorporated on June 18, 2019 and headquartered in the city and state of São Paulo, this entity is engaged in: i) the electric power trading (purchase and sale), operating as a trading agent, pursuant to Resolution No. 265 of August 13, 1998, issued by the Brazilian Electricity Regulatory Agency (“ANEEL”); ii) the import and export of electric power, also pursuant to ANEEL Resolution No. 265/98 and; iii) the rendering of advisory services, representation of agents, intermediation in the purchase and sale of electric power, natural gas, both in the local and foreign market, as well as import and export.

- **BBCE - Balcão Brasileiro de Comercialização de Energia S.A.**

Incorporated on June 13, 2011 and headquartered in the city and state of São Paulo, BBCE is a privately held corporation engaged in the intermediation and brokerage of services and business in general, except for real estate. This entity has already been operating as a market place and is currently considered the “exchange” of the energy free market, enabling most of the businesses carried out in the energy free market.

- **Energy Serviços Digitais Ltda.**

Incorporated on May 21, 2019 and headquartered in the city and state of São Paulo, This entity invests in the development of a blockchain programming platform named EnergyBank, which will allow individuals and legal entities to carry out power trade on the Free Market (ACL) through a home-broker. The application that can be downloaded from Google Play and AppStore is also a fintech that enables users to have access to a digital account and carry out transfers between accounts, payments, mobile recharges and other services.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

- **Power Labs Participações Ltda.**

Incorporated on May 20, 2019 and headquartered in the city and state of São Paulo, Power Labs is an investment holding exclusively engaged in promoting the acceleration of startups, developer of technological innovation projects focused on renewable and non-renewable energies, by means of: (i) holding equity interest, as a member or shareholder, in the capital of startups; and/or (ii) investments, whether through capital, debt, capitalization, financing of any nature, issue or subscription of financial assets and marketable securities, and crowdfunding; (iii) provision of physical spaces; and/or (iv) rendering, directly or indirectly, of legal and regulatory, financial, administrative, technological, operational or marketing advisory services.

- **Pacto Energia e Manutenções Ltda.**

Incorporated on November 7, 2019 and headquartered in the city and state of São Paulo, Pacto Energia is engaged in: electric installation and maintenance, other civil engineering works, construction of stations and electric distribution grids, hydraulic, sanitary and gas installations, retail trade of lighting equipment, hardware and tools, electric material, hydraulic material, lease of machinery and equipment, engineering services, equipment and industrial installation as well as cleaning and gardening services.

- **Pacto Distribuição Ltda.**

Organized on July 2, 2015 and headquartered in the city of Goiânia, state of Goiás, Pacto Distribuição Ltda. is mainly engaged in holding equity interest in other business entities in the areas of electric power generation, transmission, sale and distribution.

COVID-19 Pandemic - Impacts and Company actions

The main risks for the electric power sector in Brazil derive from the reduction in the electric power load in the year ended 2020, which was not yet fully recovered in 2021. In 2020, the electric power load reduction effect entailed the power price drop. But, in 2021, even with the electric power load recovering, the water scarcity scenario demanded the full commissioning of thermal power plants, which greatly increased the marginal cost of the operation.

The Company and its subsidiaries were not directly affected despite of the impacts mentioned above. Management always tries to be one step ahead by improving procedures, systems, policies, support methodologies and counterparty risk analysis (credit) and portfolio, focusing on the preservation of margins and protection of cash flow, measures that allow major control when foreseeing issues which could possibly endanger the cash flow.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies

2.1. Statement of compliance

The financial statements were prepared in accordance with the accounting practices adopted in Brazil (BR GAAP), comprising the pronouncements issued by Brazil's Financial Accounting Standards Boards - FASB ("CPC"), and in accordance with the International Financing Reporting Standards issued by the International Accounting Standards Board (IASB). In addition, the Company considered the guidance provided for in Accounting Guidance OCPC 07 in preparing its financial statements. Accordingly, all significant information of the financial statements themselves, and only such information, is being disclosed and corresponds to that used to manage the Company's operations.

2.2. Basis of preparation

The financial statements were prepared on a historical cost basis, except for the power purchase and sale agreements measured at a fair value through profit or loss.

Management assessed the Company's ability to continue as a going concern and is convinced that the Company has the necessary resources to sustain its businesses in the future. Furthermore, management is not aware of any material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, these financial statements were prepared using the going concern basis of accounting.

The financial statements were prepared base on several measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors and on the executive board judgement to determine the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant and equipment in operations, fair value measurement of financial assets, credit risk analysis in determining the allowance for doubtful accounts, as well as the analysis of other risks in determining other provisions, including provision for contingencies.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)
 December 31, 2021
 (In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.2. Basis of preparation (Continued)

The Company's fiscal year corresponds to the period from January 1 to December 31.

These financial statements are presented in Brazilian reais, which is the Company's functional currency. All financial information presented in Brazilian reais was rounded up to the nearest thousand, unless otherwise stated.

Approval of financial statement

The Company's financial statements were approved by management on August 2, 2022.

2.3 Basis of consolidation

The consolidated financial statements for the years ended December 31, 2021 and 2020 comprise the financial statements of the Company and its subsidiaries, presented below:

	2021	2020
Subsidiaries		
Energy Serviços Digitais Ltda.	100.00%	100.00%
Evolution Comercializadora de Energia Elétrica e Gás Natural Ltda.	100.00%	100.00%
Pacto Comercializadora de Energia e Gás Natural S.A.	100.00%	100.00%
Pacto Esco S.A.	100.00%	100.00%
Pacto Geração Distribuída S.A.	100.00%	100.00%
Pacto Geração e Transmissão S.A.	100.00%	100.00%
Pacto Industria Ltda.	100.00%	100.00%
Pacto Soluções em Energia S.A.	100.00%	100.00%
Power Labs Participações Ltda.	90.00%	90.00%
W2E Digital S.A.	100.00%	100.00%
Pacto Distribuição Ltda.	100.00%	-
Associates		
Pacto Energia e Manutenções Ltda.	24.00%	24.00%
BBCE - Balcão Brasileiro de Comercialização de Energia S.A.	0.02%	0.02%

Control is obtained when the Company is exposed or has the right to variable returns based on its involvement with the investee and has the capacity of affecting these returns through the power exercised in relation to the investee.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.3 Basis of consolidation

The subsidiaries are fully consolidated as from their acquisition date, which is the date on which the Company obtains control over them, and continue being consolidated through the date on which such control ceases to exist. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting practices. All assets and liabilities, P&L, revenues, expenses and cash flows of a same group, related to transactions between members of the Group, are fully eliminated in the consolidation.

The variation in the subsidiary's equity interest, without loss of control, is accounted for as an equity transaction, directly in equity.

2.4. Significant accounting practices

a) Cash and cash equivalents

Cash and cash equivalents are classified in accordance with their realization term, stated at acquisition cost, plus, in the case of short-term investments, income earned up to the periods' closing dates, net of impairment allowance, where applicable.

b) Accounts receivable

Accounts receivable are recorded and maintained in the statement of financial position at the nominal value of notes representing these receivables, net of the allowance for expected credit losses, where applicable. If the collection period is equivalent to one year or less, the accounts receivable are classified in current assets. Otherwise, they are stated as noncurrent assets.

c) Investments in associates and subsidiaries

Investment in associates

Investments of the Company and its subsidiaries are accounted for using the equity method.

The statement of profit or loss reflects the portion of the results of operations of the investees. Unrealized gains and losses, arising from transactions between the Company and its associates, where applicable, are eliminated according to the equity interest held in such associates.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2021
(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting practices (Continued)

c) Investments in associates and subsidiaries (Continued)

Interest held in associates is stated in Note 2.3.

The financial statements of the associate are prepared for the same reporting period as that of the Company. When necessary, adjustments are made so that the accounting policies are in accordance with those adopted by the Company. After applying the equity method, the Company and its subsidiaries determine if additional impairment loss needs to be recognized for the Company's investment in its associates.

The Company and its subsidiaries determine, at each statement of financial position closing date, whether there is objective evidence that the investment in associates is impaired. If impairment is identified, the Company and its subsidiaries calculate impairment loss as the difference between the subsidiary's recoverable amount and its carrying amount, and recognize the resulting amount in the statement of profit or loss.

d) Property, plant and equipment

These items are recorded at acquisition or construction cost, plus, where applicable, interest capitalized during the construction period, net of accumulated depreciation and impairment allowance for suspended asset items with no expected reuse or realization.

Depreciation is recognized in profit or loss based on the straight-line method at specific rates, which management understands to represent an estimate close to the useful life of its main property, plant and equipment.

Property, plant and equipment items are written off when disposed of, or when no future economic benefits are likely to flow to the Company from the continuous use of these assets. Disposal gains and losses are computed by comparing the proceeds from the sale with the residual value, and then recorded in profit or loss.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting practices (Continued)

e) Impairment of assets:

The Company annually tests assets for impairment. If impairment evidence is found, the recoverable amount of the asset is then estimated. The recoverable amount of an asset is the higher of: (a) its fair value less costs that would be incurred to realize it; and (b) its value in use.

The value in use is equivalent to the discounted cash flows (before taxes) resulting from ongoing use of the asset. When the residual carrying amount of the asset exceeds its recoverable amount, an impairment (allowance) is recognized for the asset.

f) Taxation

Current and deferred income and social contribution taxes

Taxation on income includes income and social contribution taxes, recorded on an accrual basis, computed according to the legislation in force, based on the regime whereby taxable profit is computed as per accounting books ("*Lucro Real*").

Income and social contribution tax expenses are calculated and recorded according to the legislation in force, and include current and deferred taxes. Income taxes are recognized in the statement of profit or loss, except for cases where they are directly related to items directly recorded in equity or in comprehensive income, in which they are already recognized at amounts net of these tax effects, and those arising from initial accounting in business combinations.

Current tax is the expected tax payable or receivable/recoverable on the taxable profit or loss for the year that reflects the uncertainties related to its calculation, if any. Deferred tax is recognized on temporary differences between the carrying amounts used for tax purposes as well as for income and social contribution tax losses, and reflects the uncertainty related to income tax, if any.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting policies (Continued)

f) Taxation (Continued)

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they relate to taxes levied by the same tax authority on the same entity subject to taxation. Deferred tax assets are reviewed at each annual reporting date and are reduced to the extent their realization is no longer probable.

Sales taxes

These mainly refer to Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) under the cumulative taxation regime, calculated at the rates of 1.65% and 7.6%, respectively, on revenues and credited on purchases.

Taxation - subsidiaries

Subsidiaries Pacto Indústria, Pacto Comercializadora and Evolution Comercializadora also adopt the regime whereby taxable profit is computed as per the accounting books (*Lucro Real*), and fall within the items above. The other subsidiaries adopted the tax regime whereby taxable profit is computed as a percentage of gross revenue (*Lucro Presumido*), and calculated their taxes on a quarterly basis.

Corporate Income Tax - IRPJ (25%) and Social Contribution Tax on net Profit - CSLL (9%) are calculated at their nominal rates, which combined total 34%. For PIS and COFINS, they are fully taxed at 0.65% and 3% of gross revenue, respectively.

g) e) Financial instruments

Recognition and measurement

Financial assets and liabilities are recognized when the Company and its subsidiaries become parties to their contractual provisions. They are initially measured at amortized cost or fair value, depending on their assessment regarding the allocation.

Transaction costs are directly attributable to the acquisition or issue of financial assets and liabilities (except for financial assets and liabilities recognized at fair value through profit or loss), and are increased or decreased to fair value of financial assets or liabilities, where applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in P&L.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2021
(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting policies (Continued)

g) Financial instruments (Continued)

Classification

Financial assets and liabilities are stated net in the statement of financial position if, and only if, there is a current enforceable legal right to offset the amounts recognized and if there is the intention to offset or realize the asset and settle the liability simultaneously.

Upon initial recognition, a financial asset is classified as:

- Measured at amortized cost;
- Measured at fair value through other comprehensive income (FVTOCI), with reclassification of accumulated gains and losses (debt instruments);
- Measured at fair value through other comprehensive income (FVTOCI), without reclassification of accumulated gains and losses upon their derecognition (equity instruments);
- Measured at fair value through profit or loss (FVTPL).

Financial assets and liabilities are not reclassified subsequently to initial recognition, unless the Company changes the business model for financial asset management, in which case all affected financial assets are reclassified on the first day of the reporting period after the change in the business model.

Offsetting

Financial assets or liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment test of financial assets

Financial assets are tested at each statement of financial position date, identifying if they are fully recoverable or if there is an impairment loss for these financial instruments.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2021
(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting policies (Continued)

g) Financial instruments (Continued)

Power purchase and sale agreements - mark-to-market

The Company and its subsidiaries carry out power purchase and sale transactions to meet their main objective, which is the trade of electric power in the Energy Free Market. Such power purchase and sale transactions are traded in an active market and meet the definition of financial instruments, due to the fact that they are settled in power and readily convertible into cash. These agreements are accounted for as derivatives under CPC 48 and are recognized in the Company's and its subsidiaries' statement of financial position at fair value, on the date the derivative is entered into. Their fair value is reassessed on the statement of financial position date and changes thereto are accounted for in the statement of profit or loss for the year.

The fair value of these derivatives is estimated partly based on price quotations disclosed in active markets, to the extent that such observable market inputs exist, and partly based on the use of valuation techniques that take into consideration: (i) prices set in purchase and sale transactions; (ii) supply risk margin; and (iii) market price projected in the period this information is available. Whenever the fair value on initial recognition for these contracts differs from the transaction price, a fair value gain or fair value loss is recognized.

h) Other assets and liabilities (current and noncurrent)

An asset is recognized in the statement of financial position when its future economic benefits are likely to inure to the Company and their cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. When applicable, the corresponding charges, monetary variations or foreign exchange differences incurred are added thereto. Provisions are set up reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current whenever their realization or settlement is likely to occur within the following twelve months; Otherwise, they are stated as noncurrent.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2021
(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting policies (Continued)

i) Present value adjustment of assets and liabilities

When applicable, monetary assets and liabilities are adjusted to their present value upon initial recording of the transaction, taking into consideration the contractual cash flows, and explicit or implicit interest rates, based on market rates for transactions similar to the related assets and liabilities. Subsequently, these effects are reallocated in the finance income or costs lines, in the statement of profit or loss, using the discount rate considered and the amortized cost method. At December 31, 2021, management assessed its main financial assets and liabilities (accounts receivable, trade accounts payable and receivables from/payables to related parties) and concluded that possible present value adjustments would be immaterial to the financial statements.

j) Recognition of sales revenue

Operating revenue in the ordinary course of the Company's and its subsidiaries' businesses is measured at the consideration received or receivable. Operating revenue is recognized when it represents the transfer (or promise) of goods or services to customers to reflect the consideration of which amount is expected to be exchanged for those goods or services.

NBC TG 47 / IFRS 15 establishes a five-step model for revenue recognition that considers: (i) identification of the contract with the customer; (ii) identification of the performance obligation defined in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the contract performance obligations; and (v) revenue recognition whether and when the Company meets performance obligations.

Therefore, the revenue is recognized only when (or whether) the performance obligation is satisfied, that is, when the "control" over the goods or services of a certain transaction is effectively transferred to the customer.

Revenue from sale of power is recorded based on bilateral contracts entered into with market agents and duly registered with the Electric Energy Trade Chamber (CCEE).

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.4. Significant accounting policies (Continued)

k) Provisions for contingencies

Provisions for contingencies are recognized when the Group has a present or constructive obligation arising from past events, the settlement of which is likely to lead to an outflow of funds and the amount of this liability can be reliably measured. Provisions are quantified at the present value of the disbursement expected to settle the obligation, using the appropriate discount rate according to the risks related to the liability. The provisions are restated up to the statement of financial position dates by the estimated amount of probable losses, considering their nature and supported by the opinion of the Group's legal advisors. The provisions assessed as possible losses by the legal advisors are disclosed in notes.

2.5. Statements of cash flows

The statement of cash flow was prepared by the indirect method and is presented in accordance with the Brazilian Accounting Standard (NBC TG) 03 (R3) / IAS 7 - Statement of Cash Flow, issued by Brazil's National Association of State Boards of Accountancy (CFC).

2.6. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's and its subsidiaries' financial statements requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, at the financial statement reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In applying the accounting policies of the Company and its subsidiaries, management made the following judgments that have a more significant effect on the amounts recognized in the financial statements.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.6. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions

Significant assumptions regarding sources of uncertainty in future estimates and other major sources of uncertainty in estimates at the statement of financial position date, involving significant risk that a significant adjustment to the carrying amount of assets and liabilities may be required in the following financial year are presented below:

Impairment of nonfinancial assets

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on information available on sales transactions of similar assets or market prices less additional costs for the disposal of the asset.

Fair value of power purchase and sale agreements

Power purchase and sale agreements recognized at fair values through profit or loss are valued through the quotation in an active market for the related instruments, or when such prices are not available, they are valued using pricing models, applied individually for each transaction, taking into consideration future payment flows, based on contractual conditions, discounted to present value at rates obtained through market interest curves, based, whenever available, on information obtained from Balcão Brasileiro de Comercialização de Energia S.A. - BBCE, DCIDE system, and also comprise the debtor's credit risk rate.

2.7. New or revised pronouncements first-time adopted in 2021

The Company and its subsidiaries evaluated as not applicable to its financial statements certain standards and amendments that are effective for annual reporting periods beginning on or after January 1, 2021. The Company and its subsidiaries elected not to early adopt any other standard, interpretation or amendment that has been issued, but is not yet effective.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.8. New standards and interpretations not yet effective

There are no standards or interpretations issued in 2021, but not yet in force, that could significantly impact the financial statements of the Company and its subsidiaries.

3. Cash and cash equivalents

	Individual		Consolidated	
	2021	2020	2021	2020
Bank deposits and cash	-	1	135	383
Short-term investments (a)	1,424	3	7,052	7,006
	1,424	4	7,187	7,389

(a) Short-term investments refer to temporary cash surpluses invested in fixed income, available for immediate redemption. They are remunerated at a rate between 80% and 105% of the Interbank Deposit Certificate (CDI) rate.

4. Accounts receivable (Consolidated)

	2021	2020
Unbilled metered/delivered power - third parties (a)	59,950	31,067
Trade accounts receivable (b)	13,883	17,417
	73,833	48,484

(a) This balance refers to the power traded by subsidiaries Pacto Comercializadora and Evolution Comercializadora, which is delivered/consumed during the month, however, the billing (issue of invoice) takes place at the beginning of the subsequent month. Therefore, accounts receivable in December 2021 correspond to the power generated/delivered in December 2021, whose invoice was issued in early January 2022. The acquisition cost of this power has the same treatment, and the accrual payable is recorded in current liabilities matched against cost in the statement of profit or loss for the year. There are no accounts receivable within this category overdue at December 31, 2020 and 2019.

(b) This refers to accounts receivable for the sale of goods by subsidiaries Pacto Indústria and Pacto Soluções. The aging list of accounts receivable is as follows:

	2021	2020
Overdue	493	152
Falling due within 30 days	8,804	4,590
Falling due within 180 days	1,727	5,310
Falling due from 181 to 365 days	2,859	7,365
	13,883	17,417

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

5. Related parties

All balances with related parties are valued on a historical cost basis, and should be settled in accordance with the specific conditions agreed by and between the parties.

The balances have no guarantees, maturities or undergo any restatement.

a) Receivables from related parties

	Individual		Consolidated	
	2021	2020	2021	2020
Assets				
Subsidiaries				
Pacto Esco S.A.	1	-	-	-
Pacto Geração Distribuída S.A. (a)	3,006	2,839	-	-
Pacto Geração e Transmissão S.A.	63	215	-	-
Pacto Indústria S.A. (a)	5,224	-	-	-
Pacto Soluções S.A.	-	111	-	-
W2E Digital S/A (a)	1,666	641	-	-
PowerLabs	2	-	-	-
Energy Serviços	7	-	-	-
	9,969	3,806	-	-
Shareholders				
Eagle S.A. (b)	1,995	2,820	1,995	2,820
Salberg S.A. (b)	2,117	2,117	2,117	2,117
	4,072	4,937	4,072	4,937
Related parties				
Energybank Comercializadora de Energia	10	5	10	5
Energybank Trade Comercializadora	10	5	10	5
Epop Coop cooperativa	-	75	1,598	559
Origen Comercializadora de Energia	15	10	15	10
Total Solar Participações S.A.	-	1,000	-	1,000
Vertice Comercializadora de Energia	15	10	15	10
Belmonte I Energia SPE Ltda.	1	-	8	-
Belmonte II Energia SPE Ltda.	1	-	8	-
Loans with individuals	223	224	2,140	2,358
Other	770	769	771	771
	1,043	2,098	4,575	4,718
	15,086	10,841	8,647	9,655
Current	769	1,800	769	1,800
Noncurrent	14,317	9,041	7,878	7,855

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

5. Related parties (Continued)

b) Payables to related parties

	Individual		Consolidated	
	2021	2020	2021	2020
Liabilities				
Subsidiaries				
Evolution Comercializadora (a)	2,790	2,285	-	-
Pacto Comercializadora (a)	17,586	16,669	-	-
Pacto Soluções S.A.	37	-	-	-
	20,413	18,954	-	-
Related parties				
Argon Comercializadora	-	-	286	727
Salberg S.A. (b)	1,828	-	1,828	-
Eagle S.A. (b)	35	-	1,536	-
Total Comercializadora	-	-	-	18
Total Solar Participações	-	-	18	2
Pacto Comercializadora SCP GCM	-	-	500	-
Loans with individuals	-	-	4	23
Other	8	-	1	47
	1,871	-	4,173	817
Future capital contribution (c)	5,028	-	5,028	-
	5,028	-	5,028	-
	27,312	18,954	9,201	817
Current	-	-	4	-
Noncurrent	27,312	18,954	9,197	817

(a) Group companies carry out operations of a nature known as “current accounts”, as the Group works with centralized cash management in the Company.

(b) These are amounts received from the Company’s shareholders.

(c) Refers to funds received for future capital contribution. Date and form of payment to be formally defined.

c) Transactions with related parties

Subsidiaries Pacto Comercializadora and Evolution Comercializadora have commercial transactions involving purchase and sale of power among themselves. These transactions are eliminated in the consolidated financial statements and can be summarized as follows:

Seller	Buyer	2021	2020
Evolution Comercializadora	Pacto Comercializadora	20,612	9,854
Pacto Comercializadora	Evolution Comercializadora	17,592	7,881

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

5. Related parties (Continued)

d) Managing officers' compensation

At December 31, 2021, the Company paid, through its subsidiary Pacto Comercializadora, R\$408 (R\$534 in 2020) referring to direct or indirect compensation to its managing officers.

The Company and its subsidiaries do not grant to their managing officers and directors any share-based payment, post-employment benefits or severance pay benefits, besides those foreseen in the current legislation.

6. Dividends receivable (Individual)

These refer to dividends receivable from subsidiaries as shown in the table below:

	<u>2021</u>	<u>2020</u>
Pacto Comercializadora	2,137	762
Pacto Indústria	1,128	1,128
	<u>3,265</u>	<u>1,890</u>

Changes in dividends for the year were as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	1,890	2,025
Dividends receivable	1,375	1,890
Dividends offset	-	(2,025)
Closing balance	<u>3,265</u>	<u>1,890</u>

7. Investments and investment losses (Individual)

a) Balance breakdown

	<u>2021</u>	<u>2020</u>
Investments in subsidiaries	37,214	27,966
Provision for investment losses	(7,973)	-
	<u>29,241</u>	<u>27,966</u>

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

7. Investments and investment losses (Individual) (Continue)

b) Information on investments

	(%) Total equity interest	Balances at December 31, 2021					
		Total Assets	Capital	Equity	Investment balance	P&L for the year	Equity pickup
Energy Serviços Digitais	100%	-	10	(7)	(6)	(8)	(7)
Evolution Comercializadora	100%	68,790	5,000	5,326	5,326	1,672	1,672
Pacto Comercializadora	100%	124,843	20,000	26,797	26,799	5,790	5,792
Pacto Energia e Manutenções	24%	104	100	90	28	(21)	(5)
Pacto Esco	100%	-	3	(3)	(3)	(1)	(1)
Pacto Geração Distribuidora	100%	22,313	10	(533)	(531)	575	575
Pacto Geração	100%	7,049	3,000	4,598	4,598	1,542	1,542
Pacto Industria	100%	8,220	1,000	(7,485)	(7,089)	402	798
Pacto Soluções	100%	456	1	452	452	114	114
Power Labs Participações	90%	-	10	(10)	(10)	(1)	(1)
W2E Digital	100%	9,240	1	(333)	(333)	(141)	(141)
Pacto Distribuição Ltda.	100%	-	10	10	10	-	-
					<u>29,241</u>		<u>10,338</u>

	(%) Total equity interest	Balances at December 31, 2020					
		Total Assets	Capital	Equity	Investment balance	P&L for the year	Equity pickup
Energy Serviços Digitais	100%	-	10	-	1	(10)	(10)
Evolution Comercializadora	100%	8,349	5,000	3,654	3,534	336	336
Pacto Comercializadora	100%	71,715	11,000	22,382	22,382	3,207	3,207
Pacto Energia e Manutenções	24%	100	100	96	33	(34)	(8)
Pacto Esco	100%	-	1	(3)	(2)	(1)	(1)
Pacto Geração Distribuidora	100%	22,673	10	(1,107)	(1,375)	(548)	(548)
Pacto Geração	100%	3,385	2,000	2,057	2,056	659	659
Pacto Industria	100%	17,158	1,000	1,200	1,200	1,126	1,126
Pacto Soluções	100%	458	1	338	338	376	376
Power Labs Participações	90%	-	10	-	(9)	(10)	(9)
W2E Digital	100%	3,694	1	(193)	(192)	(193)	(143)
					<u>27,966</u>		<u>4,985</u>

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

7. Investments and investment losses (Individual) (Continued)

c) Changes in investments

	2020	Acquisition s/ Contributio ns	Dividends	Other	Prior year adjustments		
						Equity pickup	
Energy Serviços Digitais	1	-	-	-	-	(7)	(6)
Evolution Comercializadora	3,534	-	-	120	-	1,672	5,326
Pacto Comercializadora	22,382	-	(1,375)	-	-	5,792	26,799
Pacto Energia e Manutenções	33	-	-	-	-	(5)	28
Pacto Esco	(2)	-	-	-	-	(1)	(3)
Pacto Geração Distribuidora	(1,375)	-	-	269	-	575	(531)
Pacto Geração	2,056	1,000	-	-	-	1,542	4,598
Pacto Industria	1,200	-	-	-	(9,087)	798	(7,089)
Pacto Soluções	338	-	-	-	-	114	452
Power Labs Participações	(9)	-	-	-	-	(1)	(10)
W2E Digital	(192)	-	-	-	-	(141)	(333)
Pacto Distribuição Ltda.	-	10	-	-	-	-	10
	27,966	1,010	(1,375)	389	(9,087)	10,338	29,241

8. Property, Plant and Equipment (Consolidated)

	(% Annual depreciation rates	Cost	Accumulate d depreciation	Balance in	Balance in
				2021	2020
Power generation plant	7%	20,050	(1,328)	18,722	19,493
Machinery and equipment	10%	49	(16)	33	40
Furniture and fixtures	10%	30	(14)	16	93
Vehicles	20%	214	(12)	202	85
Computers and peripherals	20%	116	(58)	58	103
Construction in progress		622	-	622	222
		21,081	(1,428)	19,653	20,036

Changes in property, plant and equipment:

	Balances in 2020	Additions	Write-offs	Depreciation	Balances in 2021
Power generation plant	19,493	-	-	(771)	18,722
Machinery and equipment	40	6	(12)	(1)	33
Furniture and fixtures	93	3	(66)	(14)	16
Vehicles	85	212	(55)	(40)	202
Computers and peripherals	103	18	(49)	(14)	58
Construction in progress	222	400	-	-	622
	20,036	639	(182)	(840)	19,653

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

9. Loans and financing

		Individual					
Description	Charges	Balance in 2020	Fundraising	Interest incurred	Repayment of principal	Balance in 2021	
Working capital (d)	1.09% p.m.	-	4,541	331	(56)	4,816	
		-	4,541	331	(56)	4,816	
	Current	-				3,829	
	Noncurrent	-				987	
		Consolidated					
Description	Charges	Balance in 2020	Fundraising	Interest incurred	Repayments of principal	Interest paid	Balance in 2021
Financing (a)	157% of CDI	14,715	-	970	(2,134)	-	13,551
	TJLP + 6.71% to						
Working capital (b)	9.90% p.a.	5,567	-	352	(2,237)	(345)	3,337
Financing (c)	1.37% p.m.	-	221	1	(5)	-	217
Working capital (d)	1.09% p.m.	-	4,541	331	(56)	-	4,816
		20,282	4,762	1,654	(4,432)	(345)	21,921
	Current	4,202					5,586
	Noncurrent	16,080					16,335

- (a) This refers to a loan taken out in 2019 from Bradesco bank by subsidiary Pacto Geração Distribuída for the purpose of contributing to its investee Capim Branco II Energia Solar for the construction of a solar power generation plant project. The loan is subject to floating interest rate of 157% of the CDI and its final maturity takes place in 2034. It is guaranteed by assignment of receivables of the power generation plant. This plant has a Power Purchase Agreement (PPA) entered into for 15 years.
- (b) This refers to loans taken out in 2020 by subsidiary Pacto Indústria for the subsidiary's working capital purposes. These loans are subject to a floating interest rate of TJLP + 6.71% to 9.90% p.a., and its final maturity takes place in 2024.
- (c) Refers to financing taken out in 2021, from Banco Bradesco, for the acquisition of a BMW electric vehicle through a Bank Credit Note (CCB), with a rate of 1.37% per month / 17.7% per year, with final maturity in October 2023.
- (d) This refers to loans taken out in 2021 from banks Santander and Safra by subsidiary Pacto Energia for the Company to use as working capital. These loans are subject to a floating interest rate of 1.09% p.m., and its final maturity takes place in 2024.

Falling due noncurrent portions mature as follows:

Year	Individual		Consolidated	
	2021	2020	2021	2020
2022	-	-	-	2,398
2023	515	-	2,767	2,394
2024	472	-	2,451	1,795
2025	-	-	1,081	1,223
2026	-	-	10,036	8,270
	987	-	16,335	16,080

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Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

9. Loans and financing (Continued)

Guarantees

These loans are guaranteed by the collateral signatures of controlling shareholders and chattel mortgage of assets.

Covenants

The Company does not have loan agreements with covenants.

10. Trade accounts payable (Consolidated)

	<u>2021</u>	<u>2020</u>
Unbilled power purchase (a)	57,451	30,306
Resale, services and consumption - suppliers	6,125	11,804
	<u>63,576</u>	<u>42,110</u>

(a) This refers to an accrual for power purchased in December 2021, whose invoice was only received in January 2022.

11. Provision for contingencies (Consolidated)

At December 31, 2021, management assessed its legal proceedings of labor, civil and tax nature and concluded that, on that date, the following claims presented likelihood of probable loss:

	<u>2021</u>	<u>2020</u>
Labor claims	1,495	400
	<u>1,495</u>	<u>400</u>

Related to proceeding No. 1001409-72.2019.5.02.0090 resulting from a labor claim against subsidiary Pacto Comercializadora. Company management, supported by its legal advisors, understands that a disbursement in the original amount of R\$1,481 is probable, which restated at December 31, 2021 amounts to R\$1,495 (R\$400 in 2020).

At that same date, the Company and its subsidiaries were not parties to proceedings whose likelihood of loss was assessed as possible.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

12. Equity

a) Capital

At December 31, 2021 and 2020, subscribed and paid-up capital amounts to R\$8,000, comprising 8,000,000 common registered no-par-value shares, held as follows:

<u>Shareholders</u>	<u>2021 and 2020</u>	
	<u>R\$</u>	<u>%</u>
Eagle Energy Holding	5,600	70.00
Salberg Participações S.A.	2,400	30.00
	8,000	100.00

b) Capital reserve

The balance of R\$1,500 refers to the change in the Company's percentage of equity interest held in its subsidiary Evolution Comercializadora, on which the Company became the holder of 100% of capital in 2020.

c) Income reserves

Legal reserve

According to the Articles of Incorporation, 5% of the net income for the year will be allocated to set up the legal reserve addressed in article 193 of Law No. 6404/76, capped at 20% of the capital. At December 31, 2021, management allocated R\$510 (R\$226 in 2020) to the legal reserve.

Retained profits

This represents the portion of profit allocated after setting up the legal reserve and allocation of the mandatory minimum dividend, which must be resolved definitively through a corporate document.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

12. Equity (Continued)

d) Allocation of income

According to the Company's Articles of Incorporation, shareholders are entitled to a minimum dividend of 25% on net income for the year, adjusted as required by the Brazilian Corporation Law, as follows:

	<u>2021</u>	<u>2020</u>
Net income for the year	10,194	4,528
Legal reserve - 5%	(510)	(226)
Dividend calculation basis	9,684	4,302
Mandatory minimum dividend - 25%	2,421	1,075

At December 31, 2021, the balance of dividends payable refers to minimum dividends for 2021 and 2020.

13. Revenues (Consolidated)

	<u>2021</u>	<u>2020</u>
Gross revenue from sale of electric power (a)	489,341	238,207
Revenue from metered and unbilled electric power (b)	30,338	(13,086)
Revenue from sale of goods (c)	11,691	19,402
Service revenue (d)	3,740	1,797
(-) PIS / COFINS / ICMS / ISS/ Returns	(56,497)	(28,223)
	478,613	218,097

(a) This refers to the sale of electric power traded in the free market by subsidiaries Pacto Comercializadora and Evolution Comercializadora.

(b) This refers to the power sold by subsidiaries Pacto Comercializadora de Energia e Gás Natural S.A. and Evolution Comercializadora, in December 2021, whose sales invoice was issued in early January 2022.

(c) Sale of products used for power generation carried out by subsidiary Pacto Indústria S.A.

(d) Sale of management services carried out by subsidiaries Pacto Soluções S.A., Pacto Indústria S.A. Pacto Energia e Manutenções and Capim Branco.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

14. Costs of sales (Consolidated)

	<u>2021</u>	<u>2020</u>
Cost of purchase of electric power	(430,473)	(212,197)
Cost of purchased and unbilled power (a)	(17,614)	15,445
Cost of goods sold	(8,363)	(13,344)
Cost of services rendered	(851)	(622)
	<u>(457,301)</u>	<u>(210,718)</u>

(a) This refers to the power purchased by subsidiaries Pacto Comercializadora and Evolution Comercializadora, in December 2021, whose purchase invoice was received in early January 2022.

15. General and administrative expenses

	<u>Individual</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Services engaged (a)	(44)	(289)	(2,904)	(4,245)
Payroll and related charges	-	-	(3,298)	(1,242)
Attorney's fees	-	(60)	(225)	(239)
Travel and lodging expenses	-	(5)	(52)	(70)
Charges and fees	(42)	(3)	(527)	(570)
Information Technology	-	(7)	(542)	(368)
Building maintenance	(2)	-	(279)	(340)
Vehicles	-	-	(61)	(227)
Other	(5)	58	(367)	(522)
	<u>(93)</u>	<u>(306)</u>	<u>(8,255)</u>	<u>(7,823)</u>

(a) These refer to expenses with accounting, transportation, computer, consulting, administrative services, etc.

16. Finance income (costs)

	<u>Individual</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Finance income				
Short-term investment yield	2	-	19	19
Interest income	-	-	20	36
Discounts obtained	-	-	491	187
	<u>2</u>	<u>-</u>	<u>530</u>	<u>242</u>
Finance costs				
Tax on Financial Transactions (IOF)	(74)	(148)	(74)	(148)
Bank fees	(6)	(2)	(357)	(62)
Late-payment interest	(1)	(1)	(32)	(290)
Bank interest	(360)	-	(1,786)	(486)
Discounts granted	-	-	(274)	(639)
Other	-	-	(63)	(88)
	<u>(441)</u>	<u>(151)</u>	<u>(2,586)</u>	<u>(1,713)</u>
Finance income (costs)	<u>(439)</u>	<u>(151)</u>	<u>(2,056)</u>	<u>(1,471)</u>

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Consolidated)

Corporate Income Tax - IRPJ (25%) and Social Contribution Tax on net Profit - CSLL (9%) are calculated at their nominal rates, which combined total 34%.

	<u>2021</u>	<u>2020</u>
Income before IRPJ and CSLL	14,328	7,131
Statutory rate	34%	34%
IRPJ and CSLL expense, at statutory rates	<u>(4,872)</u>	<u>(2,425)</u>
Equity pickup	468	1,695
Other additions (exclusions), net	784	(1,790)
IRPJ and CSLL effective expense	<u>(1,134)</u>	<u>(251)</u>
IRPJ and CSLL - deferred	<u>(2,486)</u>	<u>(2,269)</u>
	<u>(3,620)</u>	<u>(2,520)</u>
Effective rate	<u>25%</u>	<u>35%</u>

Deferred taxes

Subsidiaries Pacto Comercializadora and Evolution Comercializadora recognize deferred IRPJ, CSLL, PIS and COFINS on the accruals for purchase and sale of power and on the change in fair value of forward power purchase and sale agreements (Note 14).

At December 31, 2021, as it failed to meet the criteria established in NBC TG 32 (R4) / IAS 12, the Company did not recognize income and social contribution taxes on the related tax loss balances.

At December 31, 2021, deferred taxes presented in the statement of financial position are broken down as follows:

	<u>2021</u>	<u>2020</u>
Liabilities		
Deferred income and social contribution taxes	(4,794)	(858)
Deferred PIS and COFINS	<u>(4,671)</u>	<u>(2,752)</u>
Deferred tax balance at December 31	<u>(9,465)</u>	<u>(3,610)</u>
Current	(9,465)	-
Noncurrent	-	(3,610)

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais, unless otherwise stated)

18. Fair value in the purchase and sale of power (Consolidated)

At December 31, 2021, subsidiaries Pacto Comercializadora and Evolution Comercializadora have power purchase and sale agreements for future supply until 2023, which resulted in the mark-to-market effects disclosed in item (a) below.

At December 31, 2021, these commitments totaled R\$581,356 and R\$336,326 (R\$46,114 and R\$116,797 in 2020), under current receivables and obligations, respectively. As mentioned in Note 2.4 (g), these subsidiaries operate in the Free Contracting Environment (“ACL”) and have entered into bilateral power purchase and sale agreements with their counterparties. These transactions resulted in gains and losses for the subsidiaries, which were recognized at their fair value in the statement of profit or loss for the year.

The transactions and related mark-to-market effects are shown below:

	<u>2021</u>	<u>2020</u>
Assets related to power purchase and sale agreements		
Fair value in the purchase and sale of power	90,665	16,868
	90,665	16,868
Current assets	81,649	8,267
Noncurrent assets	9,016	8,601
Liabilities related to power purchase and sale agreements		
Fair value in the purchase and sale of power	74,995	9,007
	74,995	9,007
Current liabilities	74,995	8,593
Noncurrent liabilities	-	414

The actual result of financial instruments (futures contracts) may vary substantially, since these agreements were marked-to market considering the base date December 31 of each year.

a) Mark-to-market of trade agreements

The fair value, through the physical settlement of power sale and purchase agreements, was recognized as follows:

	<u>2021</u>	<u>2020</u>
Profit or loss		
Fair value of mark-to-market of financial instruments	(1,389)	8,632
Deferred PIS and COFINS	129	(858)
	(1,260)	7,774
Deferred income and social contribution taxes	359	(2,000)
Cumulative net effect with derivative financial instruments	(901)	5,774

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Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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19. Financial instruments and risk management

The Company, through its subsidiaries, carries out transactions with financial instruments, which are managed through operating strategy and internal controls, aiming at ensuring liquidity, safety and profitability. Gains and losses on these transactions are in accordance with the practices adopted by the management of the Company and its subsidiaries

The risks associated with these transactions are managed through the application of practices defined by management and include monitoring of the exposure levels of each market risk and forecast of future cash flows. These practices also determine that information is updated in operational systems, as well as the information and operation of transactions with counterparties.

19.1. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in a transaction in which there are no favored parties. The fair value concept addresses many variations on metrics used to measure an amount reliably.

19.2. Financial instruments by category

The carrying amounts and fair values of financial assets and liabilities, including their fair value hierarchy levels are presented in the table below. It does not include information on the fair value of financial assets and liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

	Consolidated		
	2021		
	Carrying amount at amortized cost	Fair value through profit or loss	Level
Financial assets			
Cash and cash equivalents	-	7,187	Level 1
Accounts receivable	73,833	-	Level 2
Related parties	8,647	-	Level 2
Power purchase and sale agreements	-	90,665	Level 2
Financial liabilities			
Trade accounts payable	63,576	-	Level 2
Related parties	4,173	-	Level 2
Power purchase and sale agreements	-	74,995	Level 2

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Notes to individual and consolidated financial statements (Continued)
December 31, 2021
(In thousands of reais, unless otherwise stated)

19. Financial instrument and risk management (Continued)

19.2. Financial instruments by category (Continued)

	Consolidated		
	2020		
	Carrying amount at amortized cost	Fair value through profit or loss	Level
Financial assets			
Cash and cash equivalents	-	7,386	Level 1
Accounts receivable	48,484	-	Level 2
Related parties	9,655	-	Level 2
Power purchase and sale agreements	-	16,868	Level 2
Financial liabilities			
Trade accounts payable	42,110	-	Level 2
Related parties	817	-	
Power purchase and sale agreements	-	9,007	Level 2

The following methods and assumptions were used in determining the fair value:

Financial instruments - these are defined as financial assets and liabilities at fair value through profit or loss. The fair value of future power purchase and sale transactions for future delivery and settlement is estimated partly based on price quotations published in active markets, to the extent that such observable market inputs exist, and partly based on the use of valuation techniques that take into consideration: (i) prices set in purchase and sale transactions; (ii) supply risk margin; and (iii) market price projected in the period this information is available.

19.2.1. Fair value hierarchy

The different levels were defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - inputs, other than quoted prices, included in Level 1, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: assumptions, for assets or liabilities, which are not based on observable market inputs (unobservable inputs).

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Notes to individual and consolidated financial statements (Continued)

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(In thousands of reais, unless otherwise stated)

19. Financial instrument and risk management (Continued)

19.3. Market risk management

Market risk is presented as the possibility of monetary losses due to fluctuations in variables that have an impact on prices and rates traded in the market. These fluctuations, positive or negative, generate an economic impact on all agents operating in the energy free market and are constantly monitored by Company management. The Company and its subsidiaries consider the amount already generated in their portfolio and, therefore, use various risk assessment mechanisms, whether market or credit mechanisms, to debug and price their business and portfolio.

19.4. Price-related risk in power purchase and sale transactions

The Company, through its subsidiaries, operates in the power purchase and sale market in order to achieve results with changes in power prices, respecting the risk limits pre-established by management. This activity, therefore, exposes the Company and its subsidiaries to the power future price risk.

The future power purchase and sale transactions are recognized at fair value through profit or loss, based on the difference between the contracted price and the market future price estimated by the Company and its subsidiaries.

The fair value of power purchase and sale agreements are shown below:

	<u>2021</u>	<u>2020</u>
Fair value in the purchase and sale of power	(1,260)	7,861

For power purchase and sale agreements, the fair value was stipulated using the prices defined internally by the Company in the last week of December, which represented the best estimate of the market future price.

19.5. Liquidity risk management

The liquidity risk shows the ability of the Company and its subsidiaries to settle the assumed obligations.

The management of the Company and its subsidiaries only takes out credit facilities that enable their operational leverage.

Pacto Energia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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19. Financial instrument and risk management (Continued)

19.6. Capital management

The objectives of the Company and its subsidiaries in managing their capital are to safeguard their ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce this cost.

In order to maintain or adjust their capital structure, the Company and its subsidiaries may revise the policy for distribution of profits, return capital to shareholders or sell assets to reduce their indebtedness, for example.

* * *