



Individual and Consolidated Financial Statements

Pacto Energía S.A.

December 31, 2022
with Independent Auditor's Report

Contents

| | |
|--|----|
| Independent auditor's report on individual and consolidated financial statements | 1 |
| Statement of financial position | 4 |
| Statement of profit or loss | 6 |
| Statement of comprehensive income | 7 |
| Statement of changes in equity | 8 |
| Statement of cash flows | 9 |
| Notes to financial statements | |
| 1. Operations | 10 |
| 2. Accounting practices | 14 |
| 2.1. Statement of compliance | 14 |
| 2.2. Basis of preparation | 14 |
| 2.3. Significant accounting practices | 15 |
| 2.4. Significant accounting judgments, estimates and assumptions | 16 |
| 2.5. Statement of cash flows | 20 |
| 2.6. Significant accounting judgments, estimates and assumptions | 20 |
| 2.7. New or revised pronouncements first-time adopted in 2022 | 20 |
| 2.8. New standards and interpretations not yet effective | 20 |
| 3. Cash and cash equivalents | 22 |
| 4. Accounts receivable (Consolidated) | 22 |
| 5. Related parties | 23 |
| 6. Dividends receivable (Individual) | 25 |
| 7. Investments and investment losses (Individual) | 25 |
| 8. Business combinations | 27 |
| 9. Property, Plant and Equipment (Consolidated) | 28 |
| 10. Loans and financing | 28 |
| 11. Trade accounts payable (Consolidated) | 29 |
| 12. Provision for contingencies (Consolidated) | 30 |
| 13. Equity | 30 |
| 14. Revenues (Consolidated) | 31 |
| 15. Costs of sales (Consolidated) | 31 |
| 16. General and administrative expenses | 32 |
| 17. Finance income (costs) | 32 |
| 18. Income and social contribution taxes (IRPJ and CSLL) (Consolidated) | 33 |
| 19. Fair value in the purchase and sale of power (Consolidated) | 34 |
| 20. Financial instruments and financial risk management | 35 |
| 21. Events after the reporting period | 37 |

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers

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 of December 31, 2022, 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 work present fairly, in all material respects, the individual and consolidated financial position of the Company as of December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

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.

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

The executive board 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 for such internal controls as referred to board determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the executive board 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 of 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 the executive board.
- 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 audit procedures and significant audit findings, including any significant deficiencies in internal control that we may have identified during our audit.

Recife (PE), March 31, 2023.

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

Original report in Portuguese
Signed by
Thiago Alexandre de Souza Silva
Accountant CRC-PE-021265/O

A free translation from Portuguese into English of individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil

Statement of financial position

December 31, 2022 and 2021

(In thousands of reais)

| | Note | Individual | | Consolidated | |
|--|------|---------------|---------------|----------------|----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 3 | 1,239 | 1,424 | 9,428 | 7,187 |
| Accounts receivable | 4 | 102 | - | 39,004 | 73,833 |
| Inventories | | - | - | 4,323 | 3,881 |
| Taxes recoverable | | - | - | 5,194 | 8,112 |
| Fair value in the purchase and sale of power | 19 | - | - | 71,351 | 81,649 |
| Related parties | 5(a) | 769 | 769 | 769 | 769 |
| Dividends receivable | 6 | 2,773 | 3,265 | - | - |
| Other receivables | | 17 | 38 | 2,134 | 703 |
| | | 4,900 | 5,496 | 132,203 | 176,134 |
| Noncurrent assets | | | | | |
| Long-term receivables | | | | | |
| Fair value in the purchase and sale of power | 19 | - | - | 10,892 | 9,016 |
| Related parties | 5(a) | 200 | 14,317 | 2,283 | 7,878 |
| Other receivables | | 50 | - | 170 | 121 |
| Investments | 7 | 58,196 | 37,214 | 7,362 | 6,513 |
| Right of use | | - | - | 54 | - |
| Property, plant and equipment | 9 | - | - | 31,594 | 19,653 |
| | | 58,446 | 51,531 | 52,355 | 43,181 |
| Total assets | | 63,346 | 57,027 | 184,558 | 219,315 |

See accompanying notes.

Statement of financial position (continued)

December 31, 2022 and 2021

(In thousands of reais)

| | Note | Individual | | Consolidated | |
|--|-------|---------------|---------------|----------------|----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Liabilities and equity | | | | | |
| Current liabilities | | | | | |
| Trade accounts payable | 11 | 9 | 25 | 30,819 | 63,576 |
| Loans and financing | 10 | 724 | 3,829 | 6,117 | 5,586 |
| Taxes payable | | 223 | 222 | 725 | 5,048 |
| Deferred taxes | | - | - | 10,775 | 9,465 |
| Social and labor obligations | | - | - | 278 | 203 |
| Fair value in the purchase and sale of power | 19 | - | - | 66,122 | 74,995 |
| Related parties | 5(b) | - | - | 4 | 4 |
| Dividends payable | | - | 3,497 | 563 | 3,497 |
| Advances from customers | | - | - | 7,181 | 9,494 |
| Other obligations | | - | 1,001 | 10,342 | 2,372 |
| | | 956 | 8,574 | 132,926 | 174,240 |
| Noncurrent liabilities | | | | | |
| Loans and financing | 10 | 753 | 987 | 17,969 | 16,335 |
| Related parties | 5(b) | 42,034 | 22,284 | 64 | 4,169 |
| Fair value in the purchase and sale of power | 19 | - | - | 6,726 | - |
| Provision for contingencies | 12 | - | - | 1,495 | 1,495 |
| Provision for investment losses | 7 | - | 7,973 | 163 | 150 |
| Future capital contribution | 5(c) | - | 5,028 | - | 5,028 |
| | | 42,787 | 36,272 | 26,417 | 27,177 |
| Equity | | | | | |
| Capital | 13(a) | 8,000 | 8,000 | 8,000 | 8,000 |
| Capital reserve | 13(b) | 1,180 | 1,500 | 1,180 | 1,500 |
| Income reserves | 13(c) | 5,801 | 2,681 | 5,801 | 2,681 |
| | | 14,981 | 12,181 | 14,981 | 12,181 |
| Future capital contribution | | 4,622 | - | 4,622 | - |
| | | 19,603 | 12,181 | 19,603 | 12,181 |
| Noncontrolling interests | | - | - | 5,612 | 5,717 |
| Total equity | | 19,603 | 12,181 | 25,215 | 17,898 |
| Total liabilities and equity | | 63,346 | 57,027 | 184,558 | 219,315 |

See accompanying notes.

Statement of profit or loss

Year ended December 31, 2022 and 2021

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

| | Note | Individual | | Consolidated | |
|---|------|--------------|---------------|----------------|----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Revenues | 14 | - | - | 291,246 | 478,613 |
| Cost of sales | 15 | - | - | (268,556) | (457,301) |
| Change in fair value in purchase and sale of power | 19 | - | - | (5,694) | (1,260) |
| Gross profit | | - | - | 16,996 | 20,052 |
| General and administrative expenses | 16 | (204) | (93) | (6,805) | (8,255) |
| Equity pickup | 7 | 6,523 | 10,338 | 389 | 1,376 |
| Other income (expenses), net | | (632) | 388 | 1,736 | 3,211 |
| | | 5,687 | 10,633 | (4,680) | (3,668) |
| Operating income before finance income | | 5,687 | 10,633 | 12,316 | 16,384 |
| Finance income (costs) | 17 | | | | |
| Finance income | | 132 | 2 | 496 | 530 |
| Finance costs | | (414) | (441) | (4,021) | (2,586) |
| | | (282) | (439) | (3,525) | (2,056) |
| Income before IRPJ and CSLL | | 5,405 | 10,194 | 8,791 | 14,328 |
| Income and social contribution taxes (IRPJ and CSLL) | 18 | | - | | |
| Current | | - | - | (1,521) | (1,134) |
| Deferred | | - | - | (1,332) | (2,486) |
| | | - | - | (2,853) | (3,620) |
| Net income for the year | | 5,405 | 10,194 | 5,938 | 10,708 |
| Income attributable to: | | | | | |
| Controlling interests | | | | 5,405 | 10,194 |
| Noncontrolling interests | | | | 533 | 514 |
| | | | | 5,938 | 10,708 |
| Number of shares | | | | 8,000,000 | 8,000,000 |
| Earnings per share | | | | 0.68 | 1.27 |

See accompanying notes.

Statement of comprehensive income

Year ended December 31, 2022 and 2021
(In thousands of reais)

| | Individual | | Consolidated | |
|-----------------------------------|--------------|---------------|--------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income for the year | 5,405 | 10,194 | 5,938 | 10,708 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 5,405 | 10,194 | 5,938 | 10,708 |
| Income attributable to: | | | | |
| Controlling interests | | | 5,405 | 10,194 |
| Noncontrolling interests | | | 533 | 514 |
| | | | 5,938 | 10,708 |

See accompanying notes.

Statement of changes in equity

Year ended December 31, 2022 and 2021

(In thousands of reais)

| | | Consolidated | | | | | | | | | |
|------|--|----------------------------------|-----------------|------------------|-------------------|--------------|-----------------------------|---------------|--------------------------|---------------|---------------|
| | | Individual | | | | | | | | | |
| Note | Capital | Capital reserve | Income reserves | | Retained earnings | Subtotal | Future capital contribution | Subtotal | Noncontrolling interests | Total | |
| | | Goodwill on capital transactions | Legal reserve | Retained profits | | | | | | | |
| | 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 | - | - | - | - | (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) | - | (2,421) |
| | Retained profits | - | - | - | (1,824) | 1,824 | - | - | - | - | - |
| | Other | - | - | - | - | - | - | - | - | 10 | 10 |
| | Balances at December 31, 2022 | 8,000 | 1,500 | 736 | 1,945 | - | 12,181 | - | 12,181 | 5,717 | 17,898 |
| | Future capital contribution | 5(d) | - | - | - | - | - | 4,622 | 4,622 | - | 4,622 |
| | Effects of transactions between shareholders | | (320) | - | - | - | (320) | - | (320) | (638) | (958) |
| | Net income for the year | | - | - | - | 5,405 | 5,405 | - | 5,405 | 533 | 5,938 |
| | Allocation of income: | 13 | | | | | | | | | |
| | Legal reserve | | - | 270 | - | (270) | - | - | - | - | - |
| | Mandatory minimum dividends | | - | - | (1,001) | (1,284) | (2,285) | - | (2,285) | - | (2,285) |
| | Retained profits | | - | - | 3,851 | (3,851) | - | - | - | - | - |
| | Balances at December 31, 2022 | | 8,000 | 1,180 | 1,006 | 4,795 | - | 14,981 | 4,622 | 19,603 | 25,215 |

See accompanying notes.

Statement of cash flows

Year ended December 31, 2022 and 2021

(In thousands of reais)

| | Individual | | Consolidated | |
|---|-----------------|----------------|-----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating activities | | | | |
| Income before IRPJ and CSLL | 5,405 | 10,194 | 8,791 | 14,328 |
| Adjustments to reconcile income before income and social contribution taxes to cash: | | | | |
| Depreciation and amortization | - | - | 1,717 | 840 |
| Equity pickup | (6,523) | (10,338) | (389) | (1,376) |
| Prior year adjustments | - | - | - | (9,087) |
| Write-off of property, plant and equipment | - | - | 168 | 182 |
| Interest on loans and financing | 388 | 331 | 3,274 | 1,654 |
| Changes in fair value in purchase and sale of power | - | - | 5,694 | 1,260 |
| Provision for unbilled revenues | - | - | (30,564) | - |
| Provision for costs of unbilled sales | - | - | 43,485 | - |
| Allowance for doubtful accounts | - | - | 33 | - |
| Provision for contingencies | - | - | - | 1,095 |
| | (730) | 187 | 32,209 | 8,896 |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 164 | - | 65,626 | (25,349) |
| Fair value in the purchase and sale of power | - | - | 581 | (9,069) |
| Inventories | - | - | (442) | (2,162) |
| Taxes recoverable | - | - | 2,918 | (5,008) |
| Other receivables | 464 | (427) | (1,480) | 1,533 |
| Increase (decrease) in liabilities | | | | |
| Trade accounts payable | (16) | 25 | (76,242) | 21,466 |
| Social and labor obligations | - | - | 75 | 3,020 |
| Taxes payable | 1 | 73 | (4,258) | - |
| Advances from customers | - | - | (2,313) | 6,273 |
| Other obligations | (1,001) | (998) | 7,969 | (1,847) |
| | (388) | (1,327) | (7,566) | (11,143) |
| Income and social contribution taxes paid | - | - | (1,608) | - |
| Net cash from (used in) operating activities | (1,118) | (1,140) | 23,035 | (2,247) |
| Investing activities | | | | |
| Increase in investments | (21,845) | (1,010) | (496) | (1,665) |
| Additions to property, plant and equipment | - | - | (13,826) | (639) |
| Additions to intangible assets | - | - | (54) | - |
| Net cash used in investing activities | (21,845) | (1,010) | (14,376) | (2,304) |
| Financing activities | | | | |
| Loans and financing taken out | - | 4,541 | 8,473 | 4,762 |
| Repayment of principal of loans and financing | (3,339) | (56) | (6,308) | (4,432) |
| Payment of interest on loans and financing | (388) | - | (3,274) | (345) |
| Related parties | 29,166 | (915) | (3,211) | 4,364 |
| Dividends paid out | (2,661) | - | (2,098) | - |
| Net cash from (used in) financing activities | 22,758 | 3,570 | (6,418) | 4,349 |
| Increase (decrease) in cash and cash equivalents | (185) | 1,420 | 2,241 | (202) |
| Cash and cash equivalents | | | | |
| At beginning of year | 1,424 | 4 | 7,187 | 7,389 |
| At end of year | 1,239 | 1,424 | 9,428 | 7,187 |
| Increase (decrease) in cash and cash equivalents | (185) | 1,420 | 2,241 | (202) |

See accompanying notes.

Notes of financial statements

December 31, 2022.

(In thousands of reais, unless otherwise indicated)

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.

Pacto Comercializadora de Energia e Gás Natural S.A. (“Pacto Comercializadora” or “Company”) was 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 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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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".

Franchising

In January 2022, Pacto Indústria Ltda. started selling franchises in Goiânia, state of Goiás, as part of the Group's strategic developments, which is to increasingly invest in this work front with strong potential for business expansion, seek strategic partners in the form of franchisees, segregated into two models: Home Base (Micro-franchise) and Store Model (Physical Store).

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

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. ("BBCE")

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

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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.

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.

Pacto SP Energia I Ltda e Cantareira Energia S.A.

Pacto SP Energia I Ltda. was organized on August 18, 2022 as a Special Purpose Entity (SPE) intended for the photovoltaic generation project within the scope of Public Call Notice No. 04236/21 by SABESP, which resulted in the partnership formalized by means of creation of Cantareira Energia S.A.

On October 28, 2022, Cantareira Energia S.A. was organized, primarily engaged in developing, producing and selling photovoltaic energy; trading, buying and selling energy; renting, free leasing and leasing own or third party assets; performing maintenance operations for power generation plants; and obtaining interests in other companies. The Group holds 51% of common registered shares with no par value by means of its subsidiary Pacto SP Energia I Ltda. whereas SABESP holds 49% of such shares. As at December 31, 2022, this company's operations had not yet begun.

COVID-19 Impacts

The Company did not identify significant financial and economic effects arising from Covid-19 in the financial statements for the year ended December 31, 2022.

Since the start of the pandemic, mid-March 2020, the Company has maintained the social distancing and hygiene measures provided for by the World Health Organization (WHO), in order to protect the health and

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

safety of its employees. The Company will continue to monitor the effects of the crisis and the impacts on its operations and financial statements.

Impacts of Russia's invasion of Ukraine

On February 24, 2022, Russia began a military invasion of Ukraine, marking a sharp escalation of the existing conflict between these countries. The invasion received widespread condemnation from the international community, including sanctions imposed with a view to crippling the Russian economy.

As a result of the invasion, oil prices rose significantly, quoted at approximately US\$80 a barrel in the year ended December 31, 2022. Another index that fluctuated was the exchange rate, and in the year ended December 31, 2022, the dollar fell against the real by approximately 6.5% compared to December 31, 2021.

Global inflation, with the effects of the war on the supply chain, also put upward pressure. The invasion caused an increase in interest rates, an increase in the cost of inputs used by the Company and a reduction in the economic power of the population. All these effects are being monitored by the Company and were considered in its financial statements for the year ended December 31, 2022.

Impacts of Law No. 14300/2022

Upon approval of Law No. 14300 on January 6, 2022, project opportunities were opened, especially in plants with generation capacity above 75 KWp. With the increase in demand and focus on continuous improvement of processes and services, the Company plans new channels for purchasing inputs, developing suppliers and reducing operating costs.

The new Law provides for a transition period for projects requested until January 07, 2023, or that are already in operation, which will remain subject to the former law, in accordance with Resolution No. 482 (Normative Resolution No. 482/212), which sets forth that the law will remain in force until December 31, 2045, referred to as *vacatio legis* period. In January 2023, when Law No. 14300 will come into force, new photovoltaic plant projects will no longer be exempt from *Fio B*.

Fio B corresponds to one of the portions that comprise the Distribution Grid Tariff (TUSD).

The *Fio B* amount is responsible for covering the operating costs of distribution and investor remuneration and will be charged for plants smaller than 500 kW in a staggered manner, starting from 15% in 2023 until reaching 90% in 2028.

The relevant authorities have not yet defined the scenario from 2029 onwards.

Experts have projected two more probable scenarios. In the first scenario, 100% of *Fio B* would be charged as from 2029 and in a more unfavorable scenario, the entire TUSD would be charged, which would entail, in addition to *Fio B*, other charges that comprise this tariff.

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"), approved by the Brazil's National Association of State Boards of Accountancy ("CFC"). 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.

Notes to financial statements *(continuation)*

(In thousands of reais, unless otherwise indicated)

2.2. Basis of preparation

The financial statements were prepared considering the historical cost as a value 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 next 360 days.

The individual and consolidated financial statements were prepared base on several measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the individual and consolidated financial statements were based on both objective and subjective factors and on the executive board's judgment to determine the appropriate amounts to be recorded in the individual and consolidated 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.

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 and its subsidiaries review estimates and assumptions at least on an annual basis.

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 statements

Authorization to issue the Company's financial statements for the year ended December 31, 2022 was given as resolved by the Executive Board on March 31, 2023.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

2.3. Basis of consolidation

The consolidated financial statements for the years ended December 31, 2022 and 2021 comprise the financial statements of the Company and its subsidiaries, presented below:

| | 2022 | 2021 |
|--|-------------|-------------|
| Subsidiaries | | |
| Pacto Comercializadora de Energia e Gás Natural S.A. | 100.00% | 100.00% |
| Evolution Comercializadora de Energia Elétrica e Gás Natural Ltda. | 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. | 95.00% | 100.00% |
| Pacto Esco 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% | 100.00% |
| Pacto Energia e Manutenções Ltda. | 100.00% | 24.00% |
| Pacto Telecom Ltda. | 100.00% | - |
| Pacto SP Energia I Ltda. | 80.00% | - |
| Energy Serviços Digitais Ltda. | 100.00% | 100.00% |
| Capim Branco Energia Solar SPE Ltda. | 75.00% | 75.00% |
| DP1 Energia Solar SPE Ltda. | 100.00% | - |
| DP2 Energia Solar SPE Ltda. | 100.00% | - |
| DP2 Energia Solar SPE Ltda. | 100.00% | - |
| UFV RS Energia Solar SPE Ltda. | 100.00% | - |
| Salto da Alemoa Energética Ltda. | 100.00% | - |
| Cantareira Energia S.A. | 51.00% | - |
| Curió Energia Solar SPE Ltda. | 100.00% | - |
| Irerê Energia Solar SPE Ltda. | 100.00% | - |
| Acauã Energia Solar SPE Ltda. | 100.00% | - |
| Biguá Energia Solar SPE Ltda. | 100.00% | - |
| Belmonte I Energia SPE Ltda. | 100.00% | - |
| Belmonte II Energia SPE Ltda. | 100.00% | - |
| Joint controlled subsidiary | | |
| 77 Sol Tecnologia S.A. | 44.91% | 44.91% |
| Affiliated company | | |
| BBCE - Balcão Brasileiro de Comercialização de Energia S.A. | 1.00% | 0.02% |
| MEZ 3 Energia S/A. | 4.20% | 14.00% |
| MEZ 4 Energia S/A. | 4.25% | 14.00% |

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.

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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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.

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. Business combinations

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured by the sum of the consideration transferred, measured based on fair value at the acquisition date. Costs directly attributable to the acquisition are expensed as incurred.

In acquiring a business, the Company measures financial assets and liabilities assumed to classify and allocate these items in accordance with the contractual terms, economic circumstances and relevant conditions at acquisition date. Assets acquired and liabilities assumed in a business acquisition are measured upon initial recognition at fair value.

Goodwill is measured as the excess of fair value of the consideration transferred and net assets acquired (identifiable assets acquired and liabilities assumed).

As at December 31, 2022 and 2021, the Company and its subsidiaries recorded no goodwill deriving from business combinations.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

e. 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.

f. 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.

g. Taxation

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 adopt the tax regime whereby taxable profit is computed as a percentage of gross revenue (Lucro Presumido), and calculate 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.

h. 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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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.

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.

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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

i. 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.

j. 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, 2022, 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.

k. Recognition of revenues

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 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).

l. 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 the notes.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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), 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 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 Company's accounting policies, management made the following judgments that have a more significant effect on the amounts recognized in the financial statements.

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 next 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 2022

The Company 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, 2022. The Company elected not to early adopt any other standard, interpretation or amendment that has been issued, but is not yet effective.

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 Company's financial statements. As of January 1, 2023, the following pronouncements will be in force, which were not early adopted by the Company:

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

| Revision and Standards impacted | IASB Correlation | Date of approval (Brazil) | Applicable from | Accounting impacts |
|--|---|----------------------------------|------------------------|-------------------------------|
| <p>Accounting Pronouncement CPC 50</p> <p>This Pronouncement supersedes the current standard on Insurance Contracts (CPC 11).</p> | IFRS | 07/05/2021 | 01/01/2023 | Not applicable to the Company |
| <p>Revision of Accounting Pronouncements No. 20</p> <p>Accounting Pronouncements CPC 11 – Insurance contracts; CPC 15 (R1) – Business combination; CPC 21 (R1) – Interim statement; CPC 23 – Accounting policies, changes in estimates and errors; CPC 26 (R1) – Presentation of financial statements; CPC 27 – Property, plant and equipment; CPC 32 – Income taxes; CPC 37 (R1) – First-time adoption of international financial reporting standards; CPC 30 (R1) – Financial instruments: disclosure; CPC 37 – Revenue from contract with customer; and CPC 39 – Accounting and reporting by retirement benefit plans.</p> | <p>Classification of Liabilities as Current or Noncurrent; Extension of the Temporary Exemption from applying IFRS 9; Definition of Accounting Estimates; Disclosure of Accounting Policies; and Deferred Tax related to Assets and Liabilities arising from a Single Transaction</p> | March 1, 2022 | | No material impacts |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

| Revision and Standards impacted | IASB Correlation | Date of approval (Brazil) | Applicable from | Accounting impacts |
|---|-------------------------|----------------------------------|------------------------|-------------------------------|
| <p>Revision of Accounting Pronouncements No. 21</p> <p>Accounting Pronouncements CPC 01 (R1) – Impairment of assets; CPC 03 (R2) – Statement of cash flows; CPC 03 (R1) – Intangible assets; CPC 15 (R1) – Business combination; CPC 18 (R2) – Investment in associate, subsidiary and joint venture; CPC 25 – Provisions, contingent liabilities and contingent assets; CPC 26 (R1) – Presentation of financial statements; CPC 27 – Property, plant and equipment; CPC 28 – Investment property; CPC 31 – Noncurrent assets held for sale and discontinued operation; CPC 33 (R1) – Employee benefits; CPC 37 (R1) – First-time adoption of international financial reporting standards; CPC 39 – Financial instruments: presentation; CPC 30 (R1) – Financial instruments: disclosure; CPC 37 – Revenue from contract with customer; CPC 38 – Financial instruments; and CPC 50 – Insurance contracts..</p> | IFRS 9 and IFRS 17 | Nov 3, 2022 | 01/01/2023 | Not applicable to the Company |
| <p>Amendment to IFRS 16</p> <p>The IASB issued amendments referring to lease agreements in sale and leaseback transactions.</p> | IFRS 16 | Issuance at IABS level | 01/01/2023 | Not applicable to the Company |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

3. Cash and cash equivalents

| | Individual | | Consolidated | |
|----------------------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Bank deposits and cash | - | - | 2,385 | 135 |
| Short-term investments (a) | 1,239 | 1,424 | 7,043 | 7,052 |
| | 1,239 | 1,424 | 9,428 | 7,187 |

- a. At December 31, 2022 and 2021, short-term investments refer to investments in open funds by reference to Interbank Deposit, with immediate liquidity and remunerated at a rate between 80% and 105% and of the Interbank Deposit Certificate (CDI) rate.

4. Accounts receivable (Consolidated)

| | 2022 | 2021 |
|--|---------------|---------------|
| Unbilled metered/delivered power - third parties (a) | 29,720 | 59,950 |
| Trade accounts receivable (b) | 9,284 | 13,883 |
| | 39,004 | 73,833 |

- 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 2022, whose invoice was issued in early January 2023. 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, 2022 and 2021.

- 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:

| | 2022 | 2021 |
|----------------------------------|--------------|---------------|
| Overdue | 481 | 493 |
| Failing due within 30 days | 6,405 | 8,804 |
| Failing due within 180 days | 747 | 1,727 |
| Failing due from 181 to 365 days | 1,651 | 2,859 |
| | 9,284 | 13,883 |

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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

a. Receivables from related parties

| | Individual | | Consolidated | |
|--|-------------------|---------------|---------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | |
| Subsidiaries | | | | |
| Pacto Esco S.A. | - | 1 | - | - |
| Pacto Geração Distribuída S.A. (a) | - | 3,006 | - | - |
| Pacto Geração e Transmissão S.A. | - | 63 | - | - |
| Pacto Indústria S.A. (a) | - | 5,224 | - | - |
| W2E Digital S/A (a) | - | 1,666 | - | - |
| PowerLabs | - | 2 | - | - |
| Braço Energética S.A. | 200 | - | 200 | - |
| Energy Serviços | - | 7 | - | - |
| | 200 | 9,969 | 200 | - |
| Shareholders | | | | |
| Eagle S.A. (b) | - | 1,995 | - | 1,995 |
| Salberg S.A. (b) | - | 2,117 | - | 2,117 |
| | - | 4,112 | - | 4,112 |
| Related parties | | | | |
| Energybank Comercializadora de Energia | - | 10 | - | 10 |
| Energybank Trade Comercializadora | - | 10 | - | 10 |
| Epop Coop cooperativa | - | - | 480 | 1,598 |
| Origen Comercializadora de Energia | - | 15 | - | 15 |
| Vertice Comercializadora de Energia | - | 15 | - | 15 |
| Belmonte I Energia SPE Ltda. | - | 1 | - | 8 |
| Belmonte II Energia SPE Ltda. | - | 1 | - | 8 |
| Loans from individuals | - | 223 | 1,603 | 2,140 |
| Other | 769 | 730 | 769 | 731 |
| | 769 | 1,005 | 2,852 | 4,535 |
| | 969 | 15,086 | 3,052 | 8,647 |
| | | | | |
| Current | 769 | 769 | 769 | 769 |
| Noncurrent | 200 | 14,317 | 2,283 | 7,878 |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

b. Payables to related parties

| | Individual | | Consolidated | |
|---------------------------------|---------------|---------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Liabilities | | | | |
| Subsidiaries | | | | |
| Evolution Comercializadora (a) | 4,905 | 2,790 | - | - |
| Pacto Comercializadora (a) | 33,277 | 17,586 | - | - |
| Pacto Distribuição | 3,831 | - | - | - |
| Pacto Soluções S.A. | - | 37 | - | - |
| | 42,013 | 20,413 | - | - |
| Related parties | | | | |
| Argon Comercializadora | - | - | - | 286 |
| Salberg S.A. (b) | - | 1,828 | 43 | 1,828 |
| Eagle S.A. (b) | - | 35 | - | 1,536 |
| Total Solar Participações | 18 | - | 18 | 18 |
| Pacto Comercializadora SCP GCM | - | - | - | 500 |
| Loans from individuals | - | - | - | 4 |
| Other | 3 | 8 | 7 | 1 |
| | 21 | 1,871 | 68 | 4,173 |
| Future capital contribution (c) | - | 5,028 | - | 5,028 |
| | - | 5,028 | - | 5,028 |
| | 42,034 | 27,312 | 68 | 9,201 |
| Current | - | - | 4 | 4 |
| Noncurrent | 42,034 | 27,312 | 64 | 9,197 |

- Group companies carry out operations of a nature known as "current accounts", as the Group works with centralized cash management in the Company.
- These are amounts received from the Company's shareholders.
- 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 | 2022 | 2021 |
|----------------------------|----------------------------|---------|----------|
| Evolution Comercializadora | Pacto Comercializadora | (7,363) | (20,612) |
| Pacto Comercializadora | Evolution Comercializadora | 47,029 | 17,592 |

d. Managing officers' compensation

At December 31, 2022, the Company paid, through its subsidiary Pacto Comercializadora, R\$878 (2021: R\$408) 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.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

6. Dividends receivable (Individual)

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

| | 2022 | 2021 |
|----------------------------|--------------|--------------|
| Pacto Comercializadora | 2,571 | 2,137 |
| Pacto Indústria | - | 1,128 |
| Pacto Soluções | 88 | - |
| Evolution Comercializadora | 114 | - |
| | 2,773 | 3,265 |

Changes in dividends for the year were as follows:

| | 2022 | 2021 |
|----------------------|----------------|--------------|
| Opening balance | 3,265 | 1,890 |
| Dividends receivable | 2,773 | 1,375 |
| Dividends offset | (3,265) | - |
| Closing balance | 2,773 | 3,265 |

The dividends offset were reinvested in the equity of their respective subsidiaries.

7. Investments and investment losses (individual)

| | Individual | | Consolidated | |
|---------------------------------------|-------------------|---------------|---------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Investments in subsidiaries (a) | 58,196 | 37,214 | 3,013 | - |
| Investments in affiliated company (c) | - | - | 4,349 | 6,513 |
| Investments total | 58,196 | 37,214 | 7,362 | 6,513 |
| Provision for investment losses | - | (7,973) | (163) | (150) |
| | 58,196 | 29,241 | 7,199 | 6,363 |

a. Information of investments

| | (%) Total equity interest | Balances at December 31, 2022 | | | | | |
|-----------------------------|---------------------------------|--------------------------------------|---------------|---------------|-----------------------|---------------------|----------------|
| | | Total Assets | Capital | Equity | Investment balance | P&L for the year | Equity pick-up |
| Energy Serviços Digitais | 100% | 48 | 82 | 35 | 35 | (29) | (29) |
| Evolution Comercializadora | 100% | 9,897 | 5,000 | 5,350 | 5,350 | 240 | 240 |
| Pacto Comercializadora | 100% | 154,053 | 20,006 | 29,646 | 29,646 | 5,412 | 5,412 |
| Pacto Eng. e Manutenções | 100% | 159 | 100 | 131 | 131 | 311 | 311 |
| Pacto Esco | 100% | - | 8 | - | 1 | (1) | (1) |
| Pacto Geração Distribuidora | 100% | 28,083 | 10 | 9,470 | 9,469 | (1,566) | (1,567) |
| Pacto Geração e Transmissão | 100% | 7,390 | 3,000 | 7,150 | 7,151 | 2,716 | 2,716 |
| Pacto Industria | 100% | 9,535 | 5,000 | 1,559 | 1,560 | 166 | 166 |
| Pacto Soluções | 95% | 94 | 1 | - | 3 | 142 | 142 |
| Power Labs Participações | 90% | - | 2 | (10) | (8) | (1) | (1) |
| W2E Digital | 100% | 3,969 | 1 | 202 | 201 | (49) | (49) |
| Pacto Telecom Ltda | 100% | 1,369 | 600 | 1,110 | 1,111 | (79) | (79) |
| Pacto SP Energia I Ltda | 80% | 511 | 1 | 511 | 410 | (493) | (395) |
| Pacto Distribuição Ltda. | 100% | 7,098 | 3,479 | 3,136 | 3,136 | (332) | (343) |
| | | | | 58,196 | | 6,523 | |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

| | (% 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 e Transmissão | 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 | - | - |
| | | | | | 29,241 | | 10,338 |

b. Changes in investments

| | Individual | | | | | | |
|-----------------------------|---------------|-----------------------|----------------|------------------------|--------------|---------------|---------------|
| | 2021 | Capital contributions | Dividends | Capital gains (losses) | Other | Equity pickup | 2022 |
| Energy Serviços Digitais | (6) | 70 | - | - | - | (29) | 35 |
| Evolution Comercializadora | 5,326 | - | (216) | - | - | 240 | 5,350 |
| Pacto Comercializadora | 26,799 | - | (2,563) | - | (2) | 5,412 | 29,646 |
| Pacto Energia e Manutenções | 28 | - | (296) | 88 | - | 311 | 131 |
| Pacto Esco | (3) | 5 | - | - | - | (1) | 1 |
| Pacto Geração Distribuidora | (531) | 11,575 | - | - | (8) | (1,567) | 9,469 |
| Pacto Geração e Transmissão | 4,598 | 508 | - | (671) | - | 2,716 | 7,151 |
| Pacto Industria | (7,089) | 8,878 | - | - | (395) | 166 | 1,560 |
| Pacto Soluções | 452 | - | (564) | - | (27) | 142 | 3 |
| Power Labs Participações | (10) | 3 | - | - | - | (1) | (8) |
| W2E Digital | (333) | 583 | - | - | - | (49) | 201 |
| Pacto SP Energia I Ltda | - | 805 | - | - | - | (395) | 410 |
| Pacto Telecom Ltda | - | 1,190 | - | - | - | (79) | 1,111 |
| Pacto Distribuição Ltda. | 10 | 3,469 | - | - | - | (343) | 3,136 |
| | 29,241 | 27,086 | (3,639) | (583) | (432) | 6,523 | 58,196 |

c. Affiliated company

| | 2022 | 2021 |
|---|--------------|--------------|
| BBCE – Balcão Brasileiro de Comercialização de Energia S.A. | 2,307 | 2,128 |
| MEZ 4 Energia S/A. | 1,104 | 1,292 |
| MEZ 3 Energia S/A. | 707 | 1,303 |
| Atlas Energia SPE | - | 1,790 |
| Investment on Startups | 231 | - |
| | 4,349 | 6,513 |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

8. Business combinations

Acquisitions in 2022

HGP Salto do Alemoa

On September 01, 2022, the acquisition of 100% of HGP Salto do Alemoa was concluded. This transaction was included in Salto do Alemoa Energética Ltda., a wholly owned subsidiary of Pacto Energia S.A. Salto do Alemoa has installed capacity of 1MW and is located in Coronel Vivida, state of Paraná.

This acquisition is part of the Group's expansion strategy, to reinforce its operations in the sector and expand its portfolio of energy generating assets.

The transaction was paid in two installments, the first of which on May 24, 2022 and the second of which on December 07, 2022.

Revenue presented in the consolidated statement of profit or loss from September 01, 2022 includes revenues generated by Salto do Alemoa Energética Ltda. amounting to R\$ 482, which contributed to profit of R\$ 341 in the period.

Assets acquired and liabilities assumed

At September 01, 2022

Consideration

| | |
|---------------------------------|------------|
| Cash | <u>448</u> |
| Total consideration transferred | <u>448</u> |

Identifiable assets acquired and liabilities assumed – amounts recognized

| | |
|-------------------|------------|
| PPE at fair value | <u>448</u> |
| | <u>448</u> |

Fair value assumptions

Fair value of assets in operation was measured based on the discounted cash flow method (DCF) as at July 31, 2022 and considered no perpetuity. DCF was projected for 420 months (35 years).

Revenues were projected considering the value of energy sales in the Free Energy Market, projected for the coming years, according to information from the BBCE – Balcão Brasileiro de Comercialização de Energia.

Expenses were projected based on historical expenditures and adjusted using the consumer price index.

The discount was calculated considering the nominal discount rate and 19.00%, based on the Weighted Average Cost of Capital ("WACC").

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

9. Property, Plant and Equipment (Consolidated)

| | Depreciation rates % - p.a. | Cost | Accumulated depreciation | Balance in 2022 | Balance in 2021 |
|---------------------------|-----------------------------|---------------|--------------------------|-----------------|-----------------|
| Power generation plant | 7% | 21,828 | (2,882) | 18,946 | 18,722 |
| Machinery and equipment | 10% | 189 | (27) | 162 | 33 |
| Furniture and fixtures | 10% | 216 | (25) | 191 | 16 |
| Vehicles | 20% | 339 | (89) | 250 | 202 |
| Computers and peripherals | 20% | 326 | (91) | 235 | 58 |
| Land | - | 400 | - | 400 | 400 |
| Construction in progress | - | 11,410 | - | 11,410 | 222 |
| | | 34,708 | (3,114) | 31,594 | 19,653 |

Changes in property, plant and equipment:

| | Balance in 2021 | Additions | Write-offs | Depreciation | Balance in 2022 |
|---------------------------|-----------------|---------------|--------------|----------------|-----------------|
| Power generation plant | 18,722 | 1,778 | - | (1,554) | 18,946 |
| Machinery and equipment | 33 | 137 | - | (8) | 162 |
| Furniture and fixtures | 16 | 190 | - | (15) | 191 |
| Vehicles | 202 | 297 | (161) | (88) | 250 |
| Computers and peripherals | 58 | 236 | (7) | (52) | 235 |
| Land | 400 | - | - | - | 400 |
| Construction in progress | 222 | 11,188 | - | - | 11,410 |
| | 19,653 | 13,826 | (168) | (1,717) | 31,594 |

10. Loans and financing

| | | | | | | | Individual |
|---------------------|----------------------------|-----------------|--------------|-------------------|-------------------------|----------------|-----------------|
| Description | Charges | Balance in 2021 | Fundraising | Interest incurred | Repayment of principal | Interest paid | Balance in 2022 |
| Working capital (d) | 1,09% p.a. | 4,816 | - | 388 | (3,339) | (388) | 1,477 |
| | | 4,816 | - | 388 | (3,339) | (388) | 1,477 |
| | Current | 3,829 | | | | | 724 |
| | Noncurrent | 987 | | | | | 753 |
| | | | | | | | Consolidated |
| Description | Charges | Balance in 2021 | Fundraising | Interest incurred | Repayments of principal | Interest paid | Balance in 2022 |
| Financing (a) | 157% of CDI | 13,551 | 3,971 | 2,294 | (1,074) | (2,294) | 16,448 |
| Working capital (b) | TJLP + 6.71% to 9.90% p.a. | 3,337 | - | 156 | (1,247) | (156) | 2,090 |
| Financing (c) | 1.37% p.a. | 217 | 2 | 16 | (109) | (16) | 110 |
| Working capital (d) | 1.09% p.a. | 4,816 | - | 388 | (3,339) | (388) | 1,477 |
| Working capital (e) | 1.51% p.a. | - | 4,500 | 420 | (539) | (420) | 3,961 |
| | | 21,921 | 8,473 | 3,274 | (6,308) | (3,274) | 24,086 |
| | Current | 5,586 | | | | | 6,177 |
| | Noncurrent | 16,335 | | | | | 17,969 |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

- 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. The loan taken out in 2022 from Bradesco bank is aimed at investing in the construction of solar power generation projects, subject to interest rate of 1.33% p.m. and 17.18%, and with final maturity in 2028.
- 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 floating interest rate of TJLP + 6.71% to 9.90% p.a., and their final maturity takes place in 2024.
- c. This 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.
- e. This refers to a loan taken out in 2022 from Banco Santander by subsidiary Pacto Distribuição Ltda aimed at contributing capital for acquisition of interests in Força e Luz Coronel Vivida. This loan is subject to a floating interest rate of 1.51% p.m. and 19.70% p.a., and its final maturity takes place in 2025.

Falling due noncurrent portions mature as follows:

| Year | Individual | | Consolidated | |
|------|------------|------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| 2023 | - | 515 | - | 2,767 |
| 2024 | 753 | 472 | 4,956 | 2,451 |
| 2025 | - | - | 2,918 | 1,081 |
| 2026 | - | - | 1,737 | 10,036 |
| 2027 | - | - | 1,737 | - |
| 2028 | - | - | 6,621 | - |
| | 753 | 987 | 17,969 | 16,335 |

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.

11. Trade accounts payable (Consolidated)

| | 2022 | 2021 |
|--|---------------|---------------|
| Unbilled power purchase (a) | 15,939 | 57,451 |
| Resale, services and consumption - suppliers | 14,880 | 6,125 |
| | 30,819 | 63,576 |

- a. This refers to an accrual for power purchased in December 2022, whose invoice was only received in January 2023.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

12. Provision for contingencies (Consolidated)

At December 31, 2022, 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:

| | 2022 | 2021 |
|--------------|--------------|--------------|
| Labor claims | 1,495 | 1,495 |
| | 1,495 | 1,495 |

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, 2022 amounts to R\$1,495 (R\$1,495 in 2021).

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

13. Equity**a. Capital**

At December 31, 2022 and 2021, subscribed and paid-up capital amounts to R\$8,000, comprising 8,000,000 common registered no-par-value shares, held as follows:

| Shareholders | 2022 e 2021 | |
|----------------------------|--------------------|---------------|
| | R\$ | % |
| 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\$ 1,180 refers to the variation of R\$ 1,500 in the Company's percentage of equity interest held in its subsidiary Evolution Comercializadora, whose capital was 100% acquired by the Company in 2020. R\$ 266 refer to shares sold and R\$ 88 to variation in the Company's percentage in subsidiary Pacto Engenharia, whose capital was 100% acquired by the Company in 2022. R\$ 500 refer to investment gains of Pacto Geração Distribuída. R\$ 1,173 refer to losses on dilution of equity interests in Pacto Geração e Transmissão.

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, 2022, management allocated R\$270 (R\$510 in 2020) to the legal reserve.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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.

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:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net income for the year | 5,405 | 10,194 |
| Legal reserve - 5% | (270) | (510) |
| Dividend calculation base | 5,135 | 9,684 |
| Mandatory minimum dividend - 25% | 1,284 | 2,421 |

At December 31, 2022, the balance of dividends payable refers to minimum dividends for 2022 and 2021.

14. Revenues (Consolidated)

| | 2022 | 2021 |
|--|-----------------|----------------|
| Gross revenue from sale of electric power (a) | 345,123 | 489,341 |
| Revenue from metered and unbilled electric power (b) | (32,040) | 30,338 |
| Revenue from sale of goods (c) | 20,025 | 11,691 |
| Service revenue (d) | 4,940 | 3,740 |
| (-) PIS / COFINS / ICMS / ISS / Returns | (46,802) | (56,497) |
| | 291,246 | 478,613 |

- This refers to the sale of electric power traded in the free market by subsidiaries Pacto Comercializadora and Evolution Comercializadora.
- This refers to provision (reversal of provision) for power sold by subsidiaries Pacto Comercializadora de Energia e Gás Natural S.A. and Evolution Comercializadora, in December 2020, whose sales invoice was issued in early January 2023.
- Sale of products used for power generation carried out by subsidiary Pacto Indústria S.A.
- Sale of management services by subsidiaries Pacto Soluções S.A., Pacto Indústria S.A., Pacto Energia e Manutenções, Salto do Alemoa and Capim Branco.

15. Costs of sales (Consolidated)

| | 2022 | 2021 |
|--|------------------|------------------|
| Cost of purchase of electric power | (297,386) | (430,473) |
| Cost of purchased and unbilled power (a) | 43,485 | (17,614) |
| Cost of goods sold | (11,755) | (8,363) |
| Cost of services rendered | (2,900) | (851) |
| | (268,556) | (457,301) |

- This refers to the power purchased by subsidiaries Pacto Comercializadora and Evolution Comercializadora, in December 2021, whose purchase invoice was received in early January 2023.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

16. General and administrative expenses

| | Individual | | Consolidated | |
|------------------------------------|--------------|-------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Third-party services (a) | (90) | (44) | (1,708) | (2,904) |
| Payroll and related charges | - | - | (2,279) | (3,298) |
| Attorney's fees | - | - | (2) | (225) |
| Travel and lodging expenses | - | - | (191) | (52) |
| Rates and fees | (14) | (42) | (903) | (527) |
| Information Technology | - | - | (460) | (542) |
| Property rent and condominium fees | (86) | (2) | (456) | (279) |
| Vehicles | - | - | (216) | (61) |
| Other | (14) | (5) | (590) | (367) |
| | (204) | (93) | (6,805) | (8,255) |

- a. These refer to expenses with accounting, transportation, computer, advisory, administrative and meteorological services, fees, etc.

17. Finance income (costs)

| | Individual | | Consolidated | |
|-------------------------------------|--------------|--------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Finance income | | | | |
| Short-term investment yield | 131 | 2 | 429 | 19 |
| Interest income | - | - | 15 | 20 |
| Discounts obtained | 1 | - | 52 | 491 |
| | 132 | 2 | 496 | 530 |
| Finance costs | | | | |
| Tax on Financial Transactions (IOF) | - | (74) | (11) | (74) |
| Bank fees | (4) | (6) | (48) | (357) |
| Late-payment interest | (21) | (1) | (147) | (32) |
| Bank interest | (388) | (360) | (3,274) | (1,786) |
| Discounts granted | - | - | (473) | (274) |
| Other | (1) | - | (68) | (63) |
| | (414) | (441) | (4,021) | (2,586) |
| Finance income (costs) | (282) | (439) | (3,525) | (2,056) |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

18. 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%.

| | 2022 | 2021 |
|---|----------------|----------------|
| Income before IRPJ and CSLL | 8,791 | 14,328 |
| Statutory rate | 34% | 34% |
| IRPJ and CSLL expense, at statutory rates | (2,989) | (4,872) |
| Equity pickup | 350 | 468 |
| Other additions (exclusions), net | 4,099 | 784 |
| IRPJ and CSLL effective expense | (1,521) | (1,134) |
| IRPJ and CSLL – deferred | (1,332) | (2,486) |
| | (2,853) | (3,620) |
| Effective rate | 32% | 25% |

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, 2022, as it failed to meet the criteria established in NBC TG 32 (R4), the Company did not recognize income and social contribution taxes on the related tax loss balances.

At December 31, 2022, deferred taxes presented in the statement of financial position are broken down as follows:

| | 2022 | 2021 |
|---|-----------------|----------------|
| Liabilities | | |
| Deferred income and social contribution taxes | (6,848) | (4,794) |
| Deferred PIS and COFINS | (3,927) | (4,671) |
| | (10,775) | (9,465) |

Reconciliation of liability balances

| | 2022 | 2021 |
|--|-----------------|-----------------|
| (+) Energy delivered and not billed – Provision for sale | 25,897 | 61,516 |
| (-) Energy delivered and not billed – Provision for cost | (13,966) | (59,249) |
| (+) Fair value | 8,527 | 14,221 |
| | 20,457 | 16,488 |
| Temporary additions and (exclusions) | | |
| (-) Other exclusions | (322) | (545) |
| IRPJ and CSLL tax base | 20,135 | 15,943 |
| Deferred income and social contribution taxes | (6,846) | (5,420) |
| Effective rate | 34% | 34% |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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

At December 31, 2022, 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.

As at December 31, 2022, these commitments amount to R\$82,218 and R\$72,840 (2021: R\$65,605 and R\$50,296), in receivables and obligations, respectively. As mentioned in Note 2.3 (f), the Company operates in the Free Contracting Environment ("ACL") and has entered into energy purchase and sale agreements bilaterally with its counterparties. These transactions resulted in gains and losses for the Company, which were recognized at fair value in profit or loss for the year.

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

| | 2022 | 2021 |
|--|---------------|---------------|
| Assets related to power purchase and sale agreements | | |
| Power purchase and sale agreements | 82,243 | 90,665 |
| | 82,243 | 90,665 |
| Current assets | 71,351 | 81,649 |
| Noncurrent assets | 10,892 | 9,016 |
| Liabilities related to power purchase and sale agreements | | |
| Power purchase and sale agreements | 72,848 | 74,995 |
| | 72,848 | 74,995 |
| Current liabilities | 66,122 | 74,995 |
| Noncurrent liabilities | 6,726 | - |

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.

Mark-to-market of trade agreements

The recognition of the fair value, through the physical settlement of the energy sale and purchase agreements was carried out under the headings shown in the table below:

| | 2022 | 2021 |
|---|----------------|----------------|
| Profit or loss | | |
| Fair value of mark-to-market of financial instruments | (6,292) | (1,389) |
| Deferred PIS and COFINS | 598 | 129 |
| | (5,694) | (1,260) |
| Deferred income and social contribution taxes | - | 359 |
| Cumulative net effect with derivative financial instruments | (5,694) | (901) |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

20. Financial instruments and financial risk management

The Company 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 Company management.

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.

a. 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.

b. 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 | | Level |
|------------------------------------|--|--|----------------|
| | 2022 | | |
| | Carrying amount at amortized cost | Fair value through profit or loss | |
| Financial assets | | | |
| Cash and cash equivalents | - | 9,428 | Level 1 |
| Accounts receivable | 39,004 | - | Level 2 |
| Related parties | 3,052 | - | Level 2 |
| Power purchase and sale agreements | - | 82,243 | Level 2 |
| Financial liabilities | | | |
| Trade accounts payable | 30,819 | - | Level 2 |
| Related parties | 68 | - | Level 2 |
| Power purchase and sale agreements | - | 72,848 | Level 2 |

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

| | 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 |

The following methods and assumptions were adopted upon 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.

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).

c. 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 considers for the amount already generated in its portfolio and, therefore, uses various risk assessment mechanisms, whether market or credit mechanisms, to debug and price its business and portfolio.

d. 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 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 their subsidiaries.

Notes to financial statements (continuation)

(In thousands of reais, unless otherwise indicated)

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

| | 2022 | 2021 |
|---|----------------|-------------|
| Fair value upon purchase and sale of energy | (5,694) | (1,260) |

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.

e. Liquidity risk management

The liquidity risk shows the Company's ability to settle assumed obligations.

Company management only takes out credit facilities that enable its operational leverage. However, there is no funding or loan balance payable by the Company.

f. Capital management

The Company's objectives in managing its capital are to safeguard its 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 its capital structure, the Company may revise the policy for distribution of profits, return capital to shareholders or sell assets to reduce its indebtedness, for example.

21. Events after the reporting period

***Res judicata* decisions by the STF**

On February 8, 2023, the Plenary Session of Brazil's Federal Supreme Court (STF) concluded the judgment of Topics 881 and 885, unanimously deciding that a final decision - the so-called "res judicata" - on taxes collected on a continuous basis, automatically loses its effects of final and unappealable decisions if there is a divergent and contrary pronouncement, when that occurs in constitutionality-related action subject to STF decisions only or under a general resonance regime.

The Company assessed the attendant effects of this decision and did not identify legal proceedings impacted by the aforementioned decision of the STF, since it does not have judicial decisions that result in the suppression of its taxes, whose matter has subsequently been ruled unfavorably by the STF, in constitutionality-related action subject to STF decisions only or under a general resonance regime. In addition, the Company understands that the decision has no direct or attendant application for the year ended December 31, 2022 and will continue to monitor how that matter evolves.

Decrease in equity interests – 77sol

On February 10, 2023, the shares of Pacto Indústria Ltda. were diluted and decreased from 39.52% to 27.07%, due to the entry of new partners (Fundo Crescera and EDP) in subsidiary 77sol. The amounts contributed were fully allocated to investments in the operation, which is in continuous growth.

